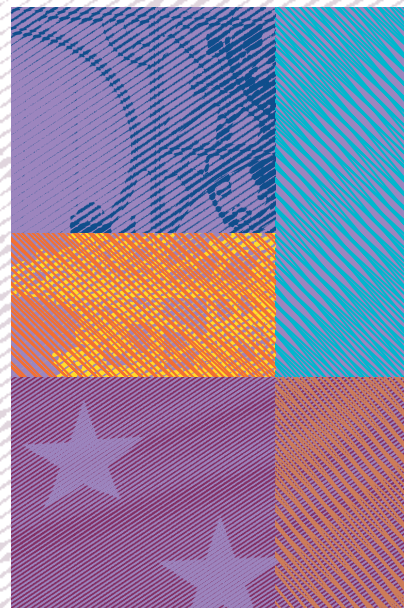


**ECONOMIC BULLETIN**

**01/2007**

**BANCO DE ESPAÑA**  
Eurosistema





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## ABBREVIATIONS

AIAF	Association of Securities Dealers	GFCF	Gross fixed capital formation
BCBS	Basel Committee on Banking Supervision	GNP	Gross national product
BE	Banco de España	GVA	Gross value added
BIS	Bank for International Settlements	HICP	Harmonised index of consumer prices
CBSO	Central Balance Sheet Data Office	IADB	Inter-American Development Bank
CCR	Central Credit Register	ICT	Information and communications technology
CEMLA	Center for Latin American Monetary Studies	IGAE	National Audit Office
CEPR	Centre for Economic Policy Research	IMF	International Monetary Fund
CNE	Spanish National Accounts	INE	National Statistics Institute
CNMV	National Securities Market Commission	INVERCO	Association of Collective Investment Institutions and Pension Funds
CPI	Consumer price index	LIFFE	London International Financial Futures Exchange
DGS	Directorate General of Insurance and Pension Funds	MEFF	Financial Futures and Options Market
EAGGF	European Agricultural Guidance and Guarantee Fund	MEFF RF	Fixed-income derivatives market
ECB	European Central Bank	MEFF RV	Equity derivatives market
ECCO	ECB External Communications Committee	MFIs	Monetary financial institutions
ECOFIN	Council of the European Communities (Economic and Financial Affairs)	MMFs	Money market funds
EDP	Excessive Deficit Procedure	MROs	Main refinancing operations
EMU	Economic and Monetary Union	NCBs	National central banks
EONIA	Euro overnight index average	NPISHs	Non-profit institutions serving households
EPA	Official Spanish Labour Force Survey	OECD	Organisation for Economic Co-operation and Development
ERDF	European Regional Development Fund	OPEC	Organisation of Petroleum Exporting Countries
ESA 79	European System of Integrated Economic Accounts	PFs	Pension Funds
ESA 95	European System of National and Regional Accounts	PPP	Purchasing power parity
ESCB	European System of Central Banks	QNA	Quarterly National Accounts
EU	European Union	RoW	Rest of the World
EU-15	Countries making up the European Union as at 31/04/04	SCLV	Securities Clearing and Settlement Service
EU-25	Countries making up the European Union as from 1/5/04	SDRs	Special drawing rights
EUROSTAT	Statistical Office of the European Communities	SICAV	Open-end Investment Companies
FASE	Financial Accounts of the Spanish Economy	SMEs	Small and medium-sized enterprises
FDI	Foreign direct investment	TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
FIAMM	Money market funds	TFP	Total factor productivity
FIM	Securities funds	ULCs	Unit labour costs
FISIM	Financial Intermediation Services Indirectly Measured	VAT	Value added tax
GDI	Gross disposable income	XBRL	Extensible Business Reporting Language
GDP	Gross domestic product		

## COUNTRIES AND CURRENCIES

In accordance with Community practice, the EU countries are listed using the alphabetical order of the country names in the national languages.

BE	Belgium	EUR (euro)
CZ	Czech Republic	CZK (Czech koruna)
DK	Denmark	DKK (Danish krone)
DE	Germany	EUR (euro)
EE	Estonia	EEK (Estonia kroon)
GR	Greece	EUR (euro)
ES	Spain	EUR (euro)
FR	France	EUR (euro)
IE	Ireland	EUR (euro)
IT	Italy	EUR (euro)
CY	Cyprus	CYP (Cyprus pound)
LV	Latvia	LVL (Latvian lats)
LT	Lithuania	LTL (Lithuanian litas)
LU	Luxembourg	EUR (euro)
HU	Hungary	HUF (Hungarian forint)
MT	Malta	MLT (Maltese lira)
NL	Netherlands	EUR (euro)
AT	Austria	EUR (euro)
PL	Poland	PLN (Polish zloty)
PT	Portugal	EUR (euro)
SI	Slovenia	SIT (Slovenian tolar)
SK	Slovakia	SKK (Slovakian koruna)
FI	Finland	EUR (euro)
SE	Sweden	SEK (Swedish krona)
UK	United Kingdom	GBP (Pound sterling)
JP	Japan	JPY (Japanese yen)
US	United States	USD (US dollar)

## CONVENTIONS USED

M1	Notes and coins held by the public + sight deposits.
M2	M1 + deposits redeemable at notice of up to three months + deposits with an agreed maturity of up to two years.
M3	M2 + repos + shares in money market funds and money market instruments + debt securities issued with an agreed maturity of up to two years.
Q1, Q4	Calendar quarters.
H1, H2	Calendar half-years.
bn	Billions (10 <sup>9</sup> ).
m	Millions.
bp	Basis points.
pp	Percentage points.
...	Not available.
—	Nil, non-existence of the event considered or insignificance of changes when expressed as rates of growth.
0.0	Less than half the final digit shown in the series.

## ECONOMIC BULLETIN JANUARY 2007

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## 1 Overview

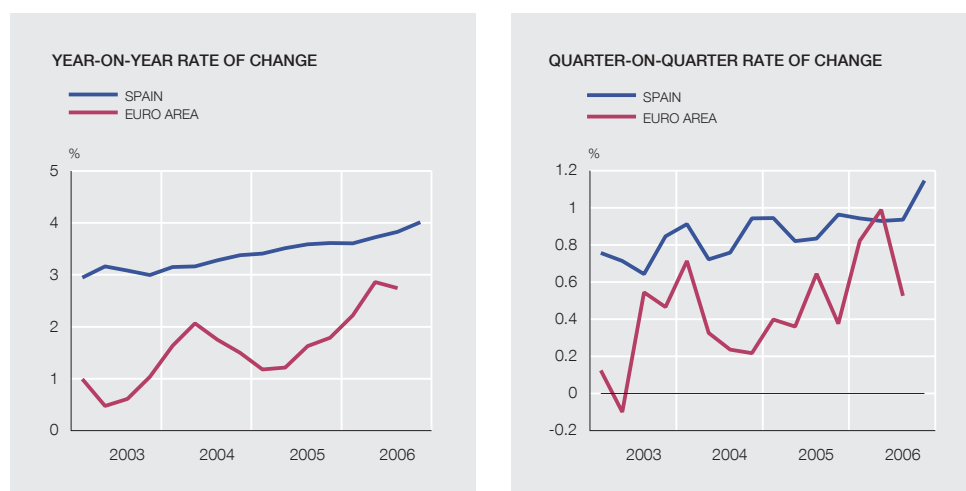
During the first three quarters of 2006, growth in the Spanish economy was very dynamic and on a slightly rising course. Growth at a year-on-year rate of 3.8% was posted in Q3. On data for the closing months of the year, this momentum and acceleration continued in Q4. Accordingly, a year-on-year rise in GDP of 4% is estimated for this quarter, corresponding to a quarter-on-quarter rate of 1.1%, 0.2 pp up on Q3 (see Chart 1). Behind this upturn lie the acceleration in national demand and an improved contribution of net external demand, which stood at -0.9 pp.

Estimates for Q4 place GDP growth for 2006 as a whole at 3.8%, up from 3.5% in 2005. This is the result of lower growth in national demand and of a significant correction in the negative contribution of net external demand, which would be standing at -1.1 pp. As to the reasons underlying this strong dynamism, it should be recalled that the slackening of some of the factors at play in recent years, namely the change in monetary policy stance and the minor moderation in increases in wealth, has been offset by the buoyancy of the external sector, and in particular by the recovery in the euro area. Nonetheless, in the second half of the year the rebalancing of the contribution of national demand and of exports to GDP growth would have lost momentum. Employment generation remained high in 2006 (the number of jobs created increased by over 3%), in a demographic setting in which, for yet another year, there were appreciable increases in the labour force, and the unemployment rate fell to 8.3% at year-end. The sizeable employment component in the current growth phase meant that aggregate productivity gains were once again low in 2006, and only slightly higher than in 2005. As to inflation, the growth rate of the CPI for the year on average was 3.5%, 0.1 pp up on 2005. That said, it trended unevenly during the year as a result of oil price developments. In July, the CPI began to slow from the rate of 4% at which it had held in the first half of 2006, ending the year at a rate of 2.7% and with an inflation differential vis-à-vis the euro area of 0.8 pp.

The sound behaviour of the world economy in 2006 as a whole was confirmed in the closing months of the year when, broadly, there was some improvement in relation to the previous quarter. Oil prices continued to decline from their August peak (at slightly over \$78 per barrel), standing at \$51 per barrel in late January, while stock markets posted fresh gains and prices remained high and risk premiums low on bond markets. The fall in oil prices prompted an across-the-board decline in inflation rates in the main developed economies where, moreover, economic growth remained high, though somewhat more balanced, owing to the slowdown in the US economy brought about by the adjustment in the real estate market. The monetary policy stance became tighter in some countries.

In the United States, the scale of the slowdown in activity was relatively moderate owing both to the limited magnitude of the adjustment in the sectors most affected – residential construction and industry – and to the scant knock-on effect to other branches of activity. The ability of the US economy to maintain high growth rates largely reflects the continuing buoyancy of household spending. Contributing principally to this was the favourable labour market situation, particularly employment in services. Despite the decline in the rate of increase of the consumer price index, which ended the year at 2.5%, underlying inflation held at somewhat above this level and the trade deficit showed a minor improvement. Against this background, the risk of inflation continued to be the main cause for concern of the Federal Reserve, which held its federal funds target rate at 5.25%. The dollar depreciated notably against the main currencies, in particular the euro and sterling, though not against the yen.





SOURCES: ECB, INE and Banco de España.

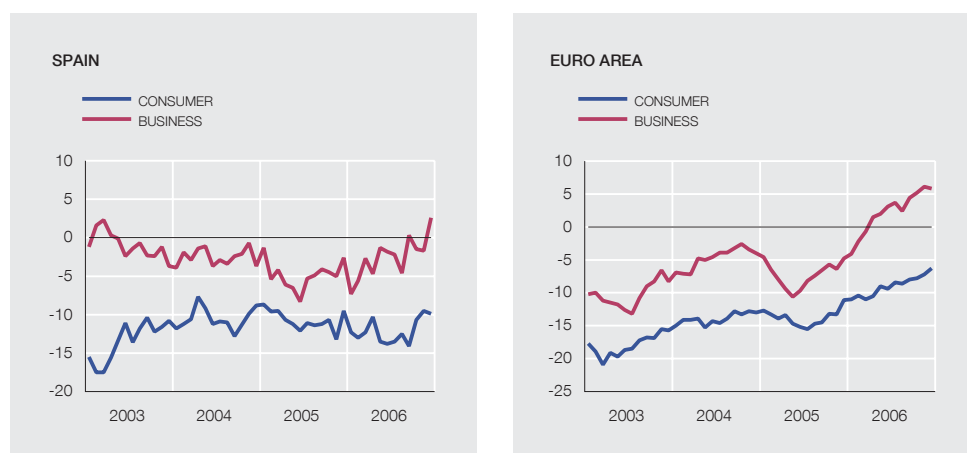
a. Seasonally adjusted series.

Economic activity in Japan was in better shape in the final quarter, after having fallen off in Q3. And in the United Kingdom, the indicators for the final months confirmed the continuing buoyancy of the economy, manifest in an acceleration in the inflation rate which hit a high in December, posting year-on-year growth of 3%. The Bank of England, following the rise approved in November, raised its official interest rate at its January meeting to 5.25%. Economic activity in the principal emerging regions, namely Asia, the new EU members and Latin America, remained very buoyant and the favourable developments seen on the financial markets in the previous months, particularly the equity markets, continued apace.

Growth prospects for the world economy in 2007 are favourable, although the outlook is for somewhat lower growth than in 2006, at slightly below 5%. However, the main uncertainties clouding international economic developments last year persist. These are mainly doubts over future developments in the oil market and the level of oil prices in the medium-term; the intensity of the slowdown in the US economy and the possible pass-through to other regions; and, finally, the effect on financial markets of a potential disorderly correction of global external imbalances, which continue to widen.

The economic recovery in the euro area that began in 2005 continued, albeit less sharply in the second half of the year. Euro area GDP in Q3 grew at a year-on-year rate of 2.7% (0.5% in quarter-on-quarter terms), 0.2 pp down on Q2; and the information available for Q4 points to continuing economic dynamism based, as in the previous quarters, on internal demand and on the sound behaviour of exports.

Inflation in the euro area continued to reflect the impact of energy price movements, whereby the year-on-year growth rate in December stood at 1.9%. Nonetheless, underlying inflation continued at 1.6% and wages held at a moderate rate of increase, as witnessed by the 0.8% growth in unit labour costs, which provided for a fresh widening of business margins. Yet as the ECB stated at its latest meetings, there remain risks to continuing price stability in the medium-term, largely relating to the possibility of greater demand pressures and employment growth bringing the current climate of wage restraint to a halt. Against this backdrop, the ECB continued with its withdrawal of monetary stimulus and twice (in October and December) raised official rates by 25 basis points, to 3.5%. These monetary policy measures were ac-



SOURCE: European Commission.

accompanied by a small increase in long-term rates on the government debt markets, a narrowing of the yield spread with the United States and a rise in the euro, whose nominal effective exchange rate appreciated by 1.3% in Q4. This movement was, however, partly reversed in the opening days of January.

The budgetary position of the euro area countries improved during 2006. Contributing decisively to this were the increases in revenue, which exceeded budgetary projections in most countries. On the information provided in the latest wave of stability programmes, the euro area deficit declined to 1.9% of GDP from 2.5% the previous year, and the fiscal policy stance was only marginally contractionary. Of particular note was the reduction in the Greek and German deficits, which will most probably be below 3% in 2006 already. Into 2007, if the public expenditure-containment and revenue-bolstering budgetary plans of Germany, France and Italy are realised, fiscal policy in the euro area might take on a contractionary stance.

Spain, with estimated growth of 4% in 2006 Q4 and of 3.8% for the year as a whole, is once again among the most dynamic euro area economies. As a result, Spanish GDP should outpace potential, meaning that the output gap would hold at positive levels for the sixth year running, denoting the persistence of a cyclical upturn.

As part of this overall picture, there were some characteristics worth commenting in Q4. The estimated growth rate for GDP in this period indicates the second half of the year was more dynamic than the first, while a slight acceleration in national demand and a slowdown in the improvement in the contribution of net external demand to GDP growth were discernible. All the components of domestic demand, with the sole exception of investment in other products, contributed to this buoyancy in the final quarter, despite the mild tightening of financing conditions for households and firms. Household consumption and investment in capital goods posted similar rates of increase to those of the preceding quarter, while investment in construction continued on the rising path marking its course throughout 2006, underpinned both by residential investment and by civil engineering works and non-residential investment.

To explain the stability of household consumption in Q4, we must look at the dynamism of disposable income, driven by resilient employment and by the decline in inflation in the closing months of the year, and also by a wealth effect that remained significant. In this respect, although the rise in real estate wealth was somewhat lower than in the previous quarters (house prices showed an increase of 9.1% at year-end, compared with 12.8% in 2005), stock market

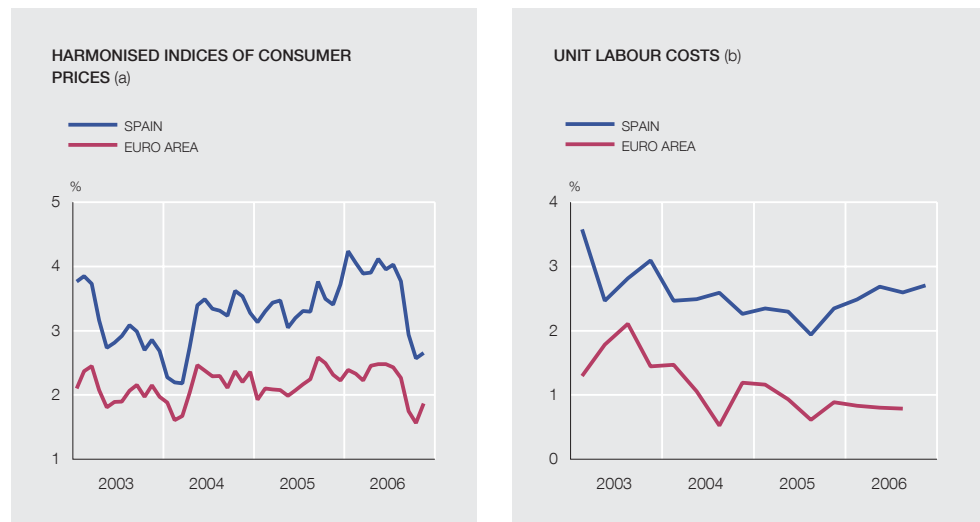
prices rose strongly, in step with the expansionary behaviour of business earnings and with the favourable economic outlook. The pace of household spending, in both its consumption and residential investment components, was largely financed by bank lending, which also held at a high rate in Q4; however, a mild downturn began to be apparent, possibly in response to the tightening of financing conditions. Overall, the year 2006 closed with a fresh decline in saving by households, a significant widening of their financing requirements and an additional increase in their debt ratio, which may have risen to 125% of gross disposable income at the close of the year.

Corporate investment continued to increase at a sound pace in Q4, as can be seen in the expansionary course of spending on capital goods (which remains the most dynamic component of domestic demand) and in non-residential construction. In 2006 as a whole, the sizeable increase in corporate investment, for the second year running, came about due to the expansion of demand and, in particular, to greater export activity, the healthy position of firms and favourable corporate earnings expectations. As in the case of households, business activity was financed in 2006 by a growing resort to borrowed funds, which moved on a slightly accelerating path throughout the year, reaching a rate of 27% in November. The sharp growth in funds raised by companies (especially by those engaged in real estate services and construction, immersed in some cases in specific corporate operations) and the rise in the cost of financing heightened the degree of financial pressure borne by these companies when taking contracting and investment decisions, although the favourable course of business earnings acted in the opposite direction.

The general government sector also contributed in 2006 to expanding expenditure, mainly through the investment component and, in particular, through civil engineering works, the related rates of increase in which exceeded those for 2005, since the behaviour of government consumption was somewhat more moderate. The buoyancy of economic activity was also reflected in a most appreciable increase in tax revenue during the year. As a result, the general government financial balance in 2006 showed, on the latest official figures, a surplus of 1.4%, far above budget. And the fiscal policy stance, having regard to the course of the primary structural balance, was ultimately moderately contractionary. The government's budgetary plans, set out in the latest update of the Stability Programme approved in late 2006, project fiscal surpluses over the entire forecasting horizon (2006-2009), albeit with a diminishing profile.

Foreign trade flows during 2006 reflected the more expansionary behaviour of foreign markets and of final demand, against a background in which price-competitiveness, according to movements in the habitual indices of competitiveness, deteriorated once more, albeit less sharply so than in previous years. Overall, exports picked up in 2006, performing in a way more in keeping with our export markets. At the same time, there was a very sharp increase in imports, higher than that of the previous year.

The pick-up in exports during 2006, which was in any event sharper in the first half of the year, was relatively widespread in terms of regions and products. Mention may nevertheless be made of the expansion in sales of capital goods and consumer goods, except cars, whose output is being affected by growing competitive pressures from third countries that are altering the structure of world trade in this type of good. The tourism indicators in 2006 showed little expansion, although in the last two quarters tourism receipts recovered somewhat. Real imports evidenced high growth throughout 2006 in response to the momentum of final demand, the high import content of capital goods exports and the favourable trend of import prices in euro. As regards products, purchases abroad of non-energy inputs were notably buoyant. The



SOURCES: Eurostat, ECB and INE.

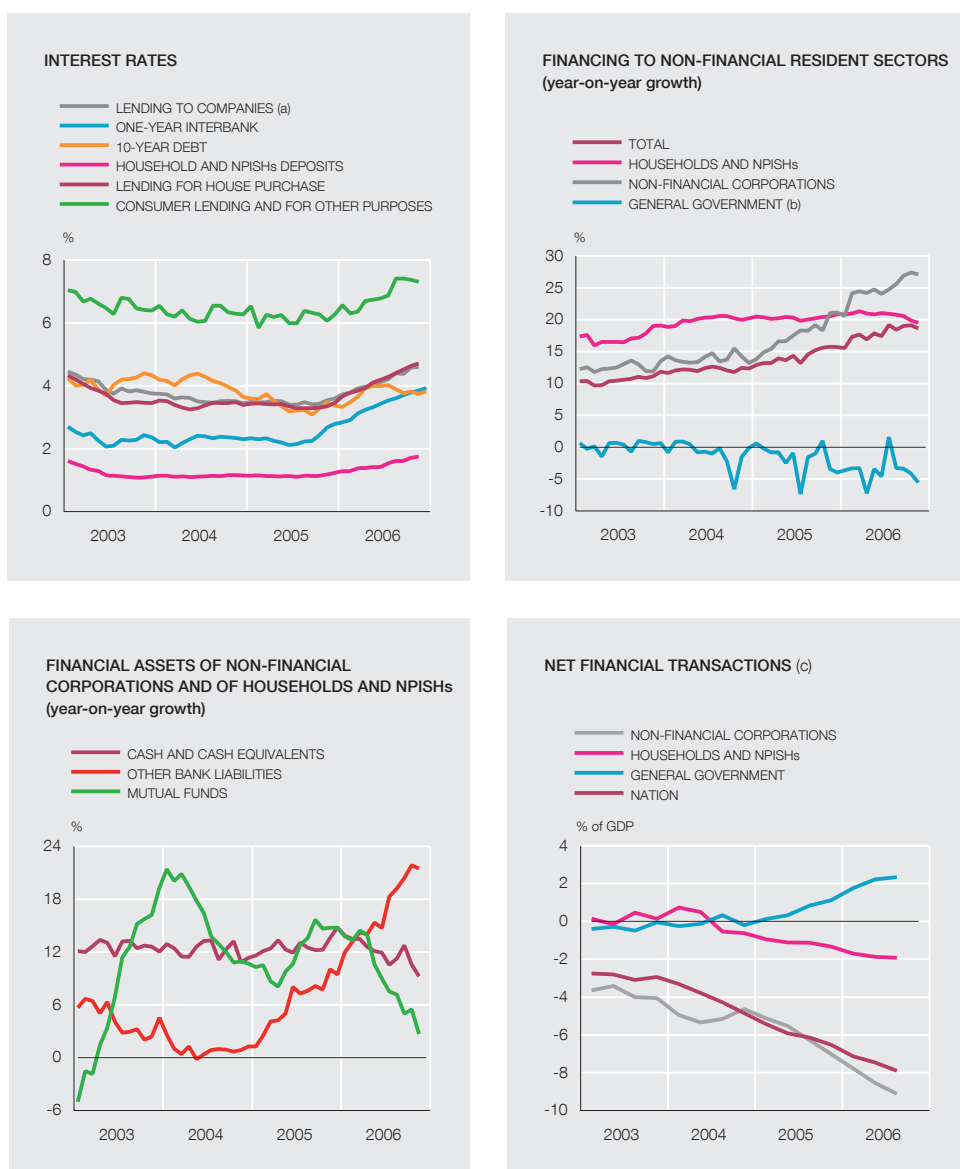
a. Year-on-year rate of change.

b. Per unit of output. Year-on-year rate of change calculated on the basis of seasonally adjusted series.

behaviour of foreign trade flows has translated into a fresh widening of the nation's net borrowing, which stood at 7.9% of GDP in the period to Q3.

In step with the dynamism of demand, activity in the non-farm productive branches was most robust. The buoyancy of the construction sector in particular was most notable, posting growth in value added of over 5% during the year. Industrial activity also picked up appreciably, ending 2006 at a rate of increase which was also close to 5%. The industrial recovery is proving very broad-based, though the strong increase in output earmarked for export markets and, under output intended for the domestic market, that aimed at meeting the demand for capital goods and intermediate goods linked to the construction and energy sectors, are both noteworthy. Market services retained high growth rates in 2006, with a slight rise in the second half of the year. At year-end they were growing at a rate of 4%. The intensity of the employment generation process was most marked in 2006 and followed a similar pattern to that of value added, meaning that apparent labour productivity gains were, overall, moderate. Regarding the productive branches, there was continuing divergence in the intensity of job creation in construction and services, on one hand, and industry, on the other, where employment only began to rise in the second half of the year. This behaviour was naturally reflected in different growth in apparent productivity across the various productive branches.

The course of labour costs led to a slight rise in market-economy compensation per employee, which moved on a quickening profile throughout the year, growing at a rate of 2.8% in 2006 compared with 2.1% in 2005. As in the past three years, the increase in compensation per employee was lower than that for collectively bargained wages, which rose to 4%: 3.2% for the agreed increase for the year, and 0.9 pp more due to the application of the indexation clauses. This gap may denote the presence of factors that are making the labour market more flexible and promoting wage moderation, factors attributable to the changes in the composition of labour supply in the light of the intensity of migratory flows and the strong increase in female participation. The acceleration in compensation per employee, driven above all by the rise in market services and, to a lesser extent, by industry, have passed through, in a setting of very low productivity gains, to unit labour costs in the market economy. This latter variable



SOURCE: Banco de España.

a. Weighted average of interest rates on various transactions grouped according to their volume. For loans exceeding €1 million, the interest rate is obtained by adding to the NEDR (Narrowly Defined Effective Rate), which does not include commission and other expenses, a moving average of such expenses.

b. Consolidated financing: net of securities and loans that are general government assets.

c. Cumulative four-quarter data.

rose to 2.6% in 2006 (2.1% in 2005), outgrowing costs in the countries with which Spain competes internationally, as can be seen in Chart 3. However, unit costs in industry, the branch most exposed to foreign competition, have behaved relatively better owing to the strong increases in productivity arising in 2006. The persistence of high growth in costs, along with the ongoing widening of margins, meant first, that there was no appreciable correction in 2006 in underlying inflation, which held at an annual average rate of 2.9%; and further, that the inflation differential with the euro area countries continued to widen. That said, the figures for the closing months of the year portray a more favourable picture, which it should be sought to anchor in 2007 by taking such figures as the basis for the cost and price formation processes now being set in train.

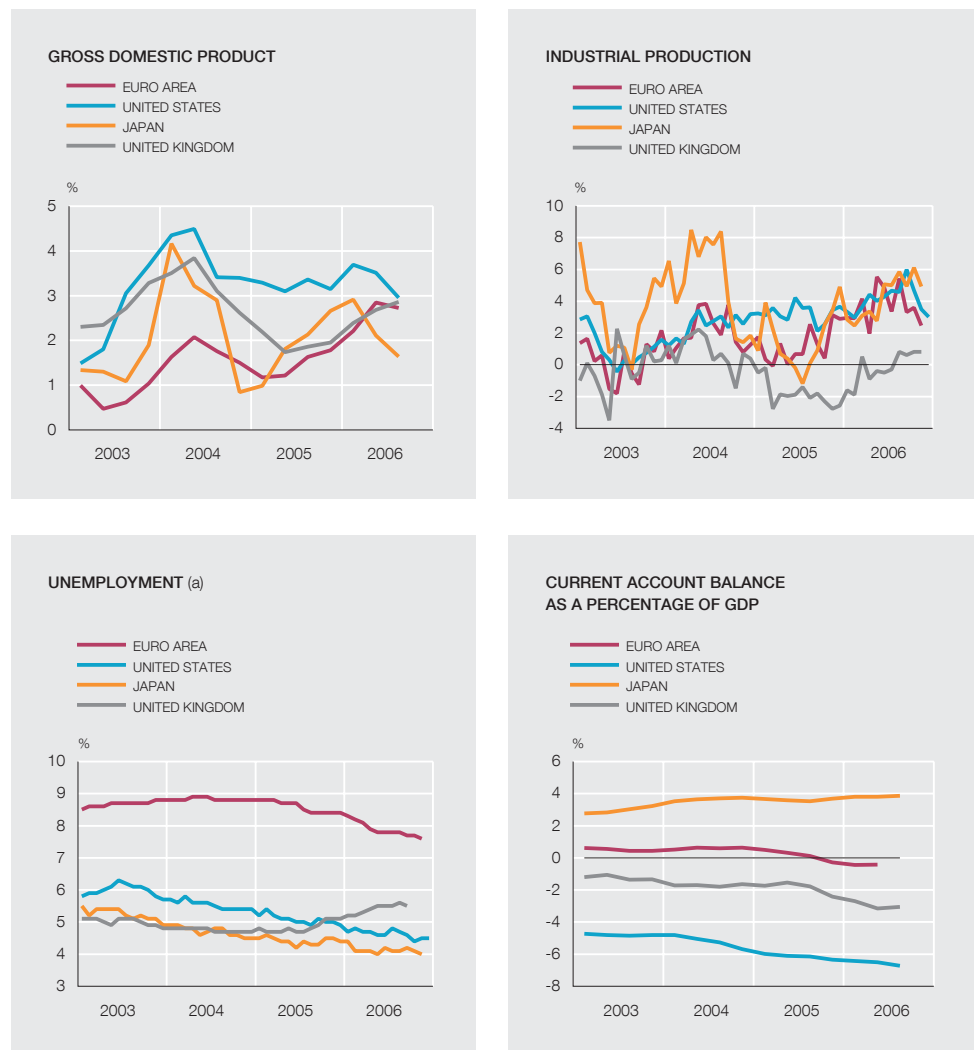
At the close of 2006, then, growth in the Spanish economy is on a mildly accelerating path and contains sufficient elements of inertia for this to run into the opening months of 2007. The most favourable feature of 2006 has been the rebalancing of domestic and external demand in its contribution to output growth, although this process was seen to slow in the second half of the year. On the financial side, there was a mild slowdown in house prices and the rises in interest rates are contributing to slackening the rate of increase of household credit, but not that of corporate lending. This growing corporate debt is due, in some cases, to diversification strategies in the face of certain productive activities having reached their maturity, and such strategies are not exempt from the uncertainty that always accompanies the entry into new business areas.

## 2 The external environment of the euro area

During the last quarter, developments in the external environment of the euro area were essentially marked by continuing high dynamism, aided by some check on the economic slowdown in the United States and a rebound in Japan. Meanwhile, in the other developed and emerging economies, the economic performance was generally expansionary. Influencing financial developments in the developed markets was the US business cycle, though its behaviour over the quarter as a whole was favourable. Of note was the fall in oil prices – and other industrial commodities – and the weakness of the yen. The emerging markets saw the favourable trend of recent months continue, with some bouts of tension on specific markets that did not have any relevant knock-on effects.

Early in the quarter, in the wake of the worsening conditions in the US housing market, expectations of early cuts in the Federal Reserve's official interest rates heightened. Long-term interest rates fell (albeit moderately) both in the United States and in other developed economies, and the dollar depreciated notably against certain currencies, in particular the euro and sterling. However, the behaviour of both the stock markets and corporate credit spreads remained positive. From early December, as favourable indicators in the United States were progressively released, directing the focus increasingly on inflationary risks, the expectations of lower official interest rates were corrected, long-term interest rates rose and the dollar stabilised at around 1.30 against the euro. In the emerging economies, equity markets continued to post gains and sovereign yields reached historical lows in all regions. Only one-off episodes of financial volatility in Thailand, Ecuador and Venezuela prevented the favourable developments from spreading to all markets. Brent oil fell in Q4 by around 15%, and its price dipped below \$52 per barrel in early 2007, the lowest level since June 2005. This fall coincided with temporary factors, such as a mild winter in the northern hemisphere, favourable inventories data in the United States and downward revisions of the demand for oil in the year ahead. All these factors countered the adverse news on the supply side, which in another setting would have pushed oil prices upwards, such as the OPEC agreement to withdraw 500,000 barrels per day from February and the unrest in certain producer countries.

In the United States, many of the indicators released during Q4 were more favourable than in the previous quarter and reinforced the impression that the sluggishness of specific sectors – such as residential construction and manufacturing – has not spread to other productive branches. The continuing high rate of growth outside these sectors largely reflects the ongoing buoyancy of household spending. Contributing to underpinning this has been the benign trend of petrol prices and the continuity of a favourable labour market situation, which enabled significant growth in the labour force to be assimilated and allowed the unemployment rate to hold constant at 4.5%. The total level of employment fell in construction and manufacturing, but the creation of new jobs in services was exceptionally dynamic. Investment developments during the quarter were not, however, as favourable either in the case of capital goods, as substantiated by the business spending figures, or construction. Nonetheless, the latest real estate sector indicators have shown signs consistent with residential investment stabilising, although at least part of this relatively sound behaviour would be attributable to the exceptionally high temperatures recorded during the winter. As to the external sector, the trade balance figures showed a significant easing in the deficit, as a result of cheaper oil and the moderation of the volume imported. The inflation rate dipped, though more markedly so in the overall index. The CPI grew at a year-on-year rate of 2.5% in December, significantly down on the average for Q3 (3.3%). The underlying rate stood at 2.6% year-on-year, 0.2 pp below the average



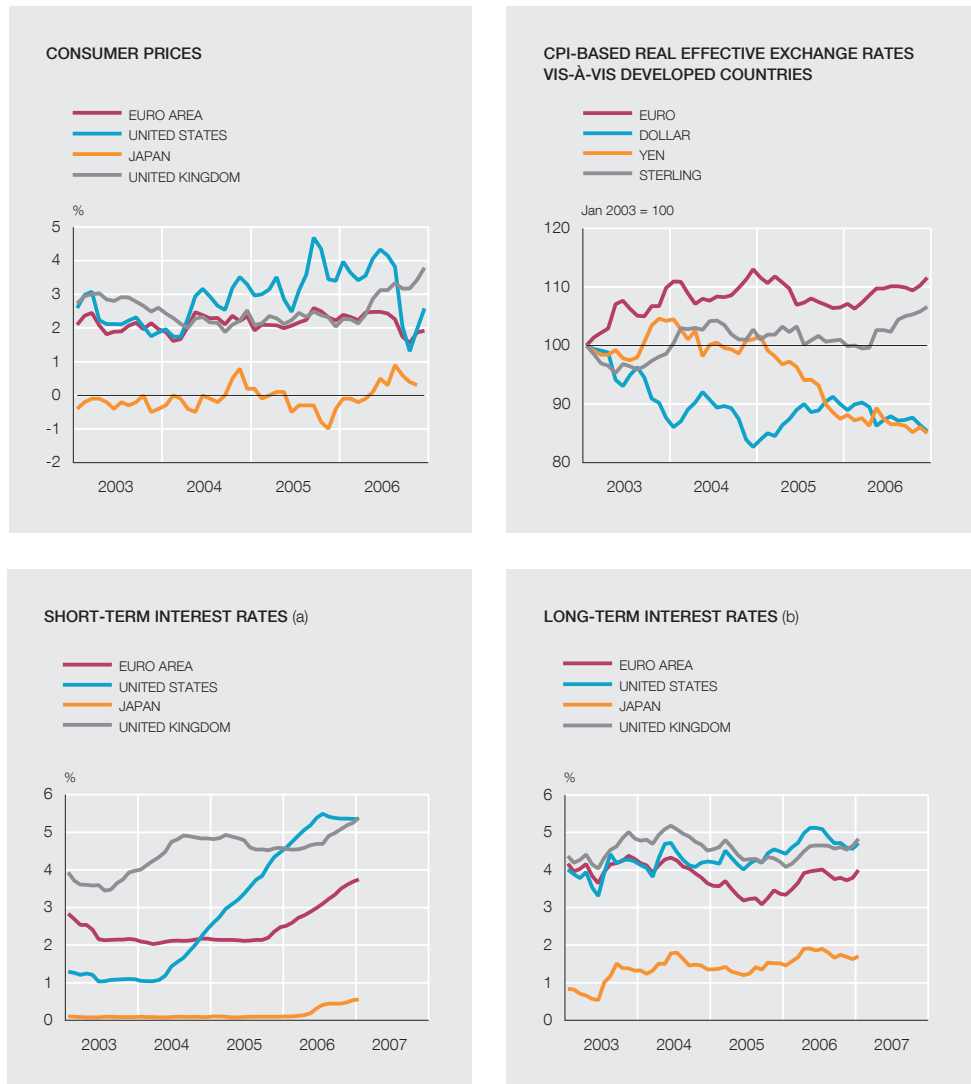
SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of labour force.

for the previous quarter. Nonetheless, the Federal Reserve, despite acknowledging somewhat greater concern over the possible sluggishness of growth, confirmed that the inflation risk is still its chief preoccupation.

Following the slackness in Q3, economic activity in Japan appears to have regained some momentum in Q4, as attested by the main supply-side indicators. There was also a rebound in private consumption, after the notable decline in Q3. This was underpinned by the rise in consumer confidence, the easiness of financial conditions and the buoyancy of the labour market, where the unemployment rate for November stood at 4%. This was the lowest level since April 1998, although wages remained flat. On the minus side, the manufacturing PMI for December posted its lowest level in over 18 months, which might augur lower rates of increase in industrial production in the coming months. On the external front, the trade surplus widened in November. Exports continued to hold at a notable rate of expansion and imports slowed markedly, owing to the impact of the fall in fuel prices. Turning to the inflation indicators, consumer prices and wholesale prices decelerated during the quarter, due in both cases to the moderation of fuel prices. Lastly, running against prior expectations, the





SOURCE: Banco de España.

- a. Three-month interbank market interest rates.  
b. Ten-year government debt yields.

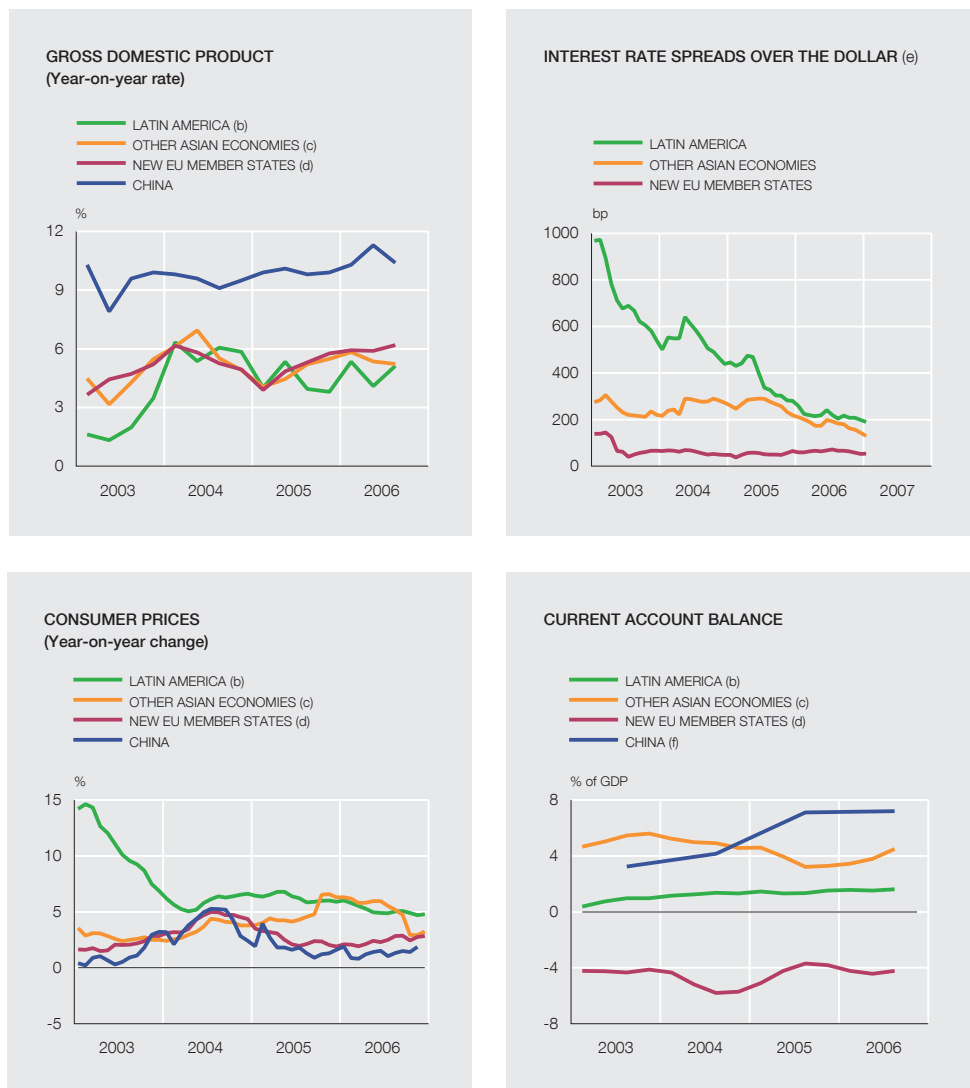
Bank of Japan decided to hold its official interest rates unchanged at 0.25% at its January meeting.

In the United Kingdom, preliminary Q4 figures for GDP placed growth at a quarterly rate of 0.8% (0.1 pp up on the preceding quarters) and at 3% in year-on-year terms. This confirmed the continuity of the favourable economic climate, although manufacturing figures remained sluggish. On the demand side, the indicators pointed to robust growth in private consumption and in business investment. The unemployment rate stood at 5.5% in the three months ending in November, and employment continued to grow forcefully. Inflation moved on a significant rising trend, and the December CPI stood at the upper limit of the Bank of England's target range (3%). The monetary authority raised its official interest rate by 25 bp at its November and January meetings (earlier than expected in the latter case), taking it to 5.25%.

In the new EU Member States, GDP quickened in Q3, posting on average a year-on-year rate of 6.1%, compared with 5.8% the previous quarter. This expansion was broadly underpinned

**EMERGING ECONOMIES:  
MAIN MACROECONOMIC INDICATORS (a)**

CHART 7



SOURCES: National statistics and JP Morgan.

- a. The aggregate of the different areas has been calculated using the weight of the countries that make up these areas in the world economy, drawing on IMF information.  
b. Argentina, Brazil, Chile, Mexico, Colombia, Venezuela and Peru.  
c. Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore, Philippines and Taiwan.  
d. Excluding Cyprus, Malta, Bulgaria and Romania.  
e. JP Morgan EMBI spreads. The data on the new EU Member States relate to Hungary and Poland. The aggregate for Asia does not include China.  
f. Annual data.

by the strength of domestic demand, both in private consumption and, especially, in investment. Of note was the buoyancy of Slovakia, whose currency has progressively appreciated, drawing close to the upper limit of its ERM-II fluctuation band. Against this background of strong dynamism in Q4, inflation rose across the board, although inflation rates varied notably from country to country. The rate was noteworthy in Hungary, ending the year at 6.6%. Thus, while official interest rates held unchanged during the quarter in most countries, they increased by 25 bp in Hungary in October to 8%. In Turkey, GDP to decelerated notably from 7.8% to 3.4%, owing to the slowdown in private consumption, the result of the tightening of the monetary policy stance following the financial turbulence in May and June. In the political realm, the European Council decided to suspend negotiations for Turkish EU membership in various ar-

eas. Finally, Bulgaria and Rumania became EU Members on 1 January, and Slovenia joined the euro area.

Real GDP in China grew at a year-on-year rate of 10.4% in Q4, 0.2 pp down on Q3. As a result, growth in 2006 was 10.7%, the biggest figure for the last decade. Chinese growth over the past two years was, moreover, revised upwards by 0.2 pp on average. Against this background, investment in fixed assets and industrial production slowed in December after having risen in November. The money supply once again outgrew the official target, leaving the central bank to raise its reserve requirement on two occasions (in November and in January). The exchange rate of the renminbi continued to appreciate against the dollar (1.7% since end-September), but that did not prevent foreign reserves from exceeding a total of \$1 billion in December. The trade surplus posted a new all-time high in Q4, and was 74% bigger in 2006 as a whole than in 2005. Foreign direct investment ended the year on accelerating past, and totalled \$69.5 billion over the course of 2006. As regards prices, CPI inflation increased progressively during the quarter, reaching a year-on-year rate of 2.8% in December, up from 1.3% on average in Q3. As established under China's agreement with the World Trade Organisation, the activities of foreign banks in the country were liberalised in December. Regarding the main countries in the rest of Asia, most saw their economic growth continue on a moderately slowing path in 2006 Q3, held back by smaller increases in exports. The main exception here was India, whose GDP quickened to 9.2%. The Q4 figures point to the continuation of positive momentum in the area. Inflation held stable or dipped slightly, as a result of the favourable behaviour of energy prices. Finally, there were scarcely any significant changes in official interest rates, although these continued to fall in Indonesia and there was a cut in Thailand in January, following the financial turbulence of the previous weeks in this country, relating to the application of capital controls.

GDP growth in Latin America as a whole in Q3 increased to a year-on-year rate of 5.2%. The Q4 indicators of activity suggest a slight acceleration in Argentina, Brazil and Chile, and continuing dynamism in Colombia, Mexico and Peru. Inflation for the region as a whole reached a historical low in 2006, standing on average at 5.3%. Turning to official interest rates, in addition to the fresh rises in Argentina and Colombia and to the cuts in Brazil, the first downward movement in Chile in this monetary cycle was of note. Uruguay's sovereign debt rating was revised upwards in December, following this country's early repayment of all of its outstanding debt with the IMF. In contrast, proposed debt restructuring and re-nationalisations in Ecuador and Venezuela, respectively, prompted a downgrading of their credit standing and gave rise to bouts of financial volatility in the two countries. The Argentine Supreme Court ruled, at end-December, that the "pesification" in early 2002 was not unconstitutional. Although this imposes costs that are difficult to quantify on banks, the ruling dispels a substantial factor of uncertainty that was hanging over the financial system.

### 3 The euro area and the monetary policy of the European Central Bank

Despite the slowdown in GDP in Q3, the trend in economic activity in the euro area is one of sustained momentum. In fact, according to the most recent estimates of certain international institutions, growth reached a rate of more than 2.5% in 2006 as a whole and will continue to display high rates throughout 2007. In any event, analysis of the developments in the economic situation at around the turn of the year is hampered by the temporary impact of the rise in the main rate of VAT in Germany at the beginning of 2007, although the favourable signs emanating from the labour market, and in particular employment, may give a further boost to private consumption over the coming quarters. More in the medium term, however, the external risks of a macro-financial nature that have been highlighted in previous issues of this bulletin persist.

With regard to inflation, developments in the final quarter of 2006 were driven by its most volatile components, and in particular by the oil price. In any event, underlying inflation remained stable at 1.6%, against a background of wage moderation in the area as a whole. After the expected rise in the HICP in the first few months of 2007 due to the increase in VAT in Germany, the main risk factor for medium-term price stability relates to possible interruption of the current pattern of wage moderation, against a background characterised by buoyant domestic demand and a pick-up in the labour market. The recent fall in oil prices and the appreciation of the exchange rate in 2006 are factors that, if sustained, will tend to mitigate these risks.

In 2006, there was a tightening of monetary and budgetary conditions (see Box 1). In Q4, the ECB Governing Council continued to withdraw the monetary policy stimulus, with further 25 bp interest rate increases at each of its October and December meetings, since it considered that there were upside risks to price stability. As regards fiscal policy, the aggregate general government deficit was reduced in 2006 by 0.5 pp, to 1.9%, according to the deficit figures contained in the updated stability programmes presented in late 2006 and early 2007. Moreover, only Italy and Portugal are estimated to have had budget deficits of more than 3% in 2006.

On 1 January 2007, Slovenia became part of the Monetary Union. The adoption of the euro in place of the tolar, organised by the Slovenian authorities, was completed successfully during the first two weeks of the year.

#### **3.1 Economic developments**

According to the second National Accounts estimate, euro area GDP grew by 0.5% quarter-on-quarter in 2006 Q3, well below the average growth of close to 1% seen in the first half of the year. However, this slowdown in activity was prompted by the loss of momentum in changes in inventories and the net external balance, since domestic demand sustained its buoyancy, with a contribution of 0.6 pp to output, only slightly down from that in the first half of the year (see Chart 8). By component, while private and government consumption displayed greater momentum than in previous months, gross fixed capital formation decelerated as a result of the slowdown in investment in both capital goods and construction, following its exceptional performance in Q2. The contributions to GDP growth of changes in inventories and net external demand fell by 0.2 pp, to 0.1 pp and -0.2 pp, respectively. The deceleration in the latter component arose from the fact that imports accelerated more than exports. In year-on-year terms, euro area GDP rose by 2.7% in Q3, 0.2 pp less than in the previous quarter (see Table 1).

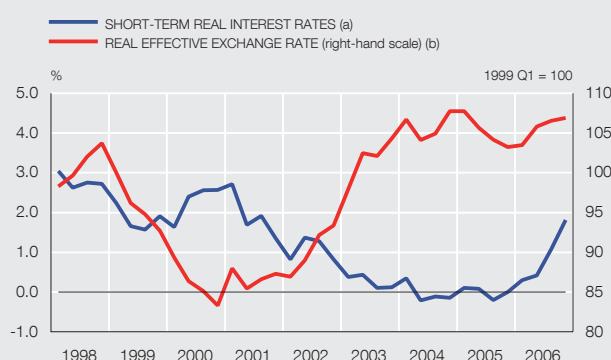
In 2006, the monetary and budgetary conditions of the euro area economy tightened, with the consequent restrictive effect on aggregate demand. First, from December 2005 and during 2006 the Eurosystem's monetary policy became gradually less accommodative, as the recovery in activity in the euro area firmed and inflationary risks increased. During this period the ECB gradually raised the official interest rate by 150 bp, to 3.5% in December 2006. Also the euro tended to appreciate last year, both against the dollar and against the set of currencies of its main trading partners. In particular, the nominal effective euro exchange rate appreciated by 5% during the year, and the real effective rate by 4.7% (see Chart 1). Meanwhile, fiscal policy reflected not only the positive effect that higher economic growth has in terms of reducing the budget deficit (which, according to the estimates in the stability programmes recently presented by the euro area countries, was 1.9% in 2006 for the euro area as a whole, as against 2.4% in 2005), but also a certain structural correction of the

fiscal imbalance in a large number of the member countries, as indicated by the increase (of 0.2 pp) in the cyclically adjusted primary balance (see Chart 2).

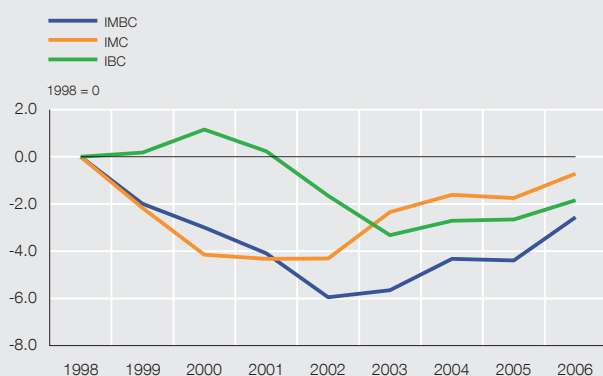
One way of analysing and assessing the overall stance of such monetary and fiscal conditions is to obtain a synthetic indicator reflecting the orientation of the policy mix prevailing in a country. This indicator cannot be expected to condense all the complex information relating to the effects of public policies on economic activity, but may be indicative of their general stance.

This index of monetary and budgetary conditions (IMBC) is calculated as the weighted sum of the changes (with respect to a base period) in the variables that enable the stance of monetary and fiscal policy to be characterised, the weights being estimates of the effects on economic activity of separate shocks to each of these variables, which were

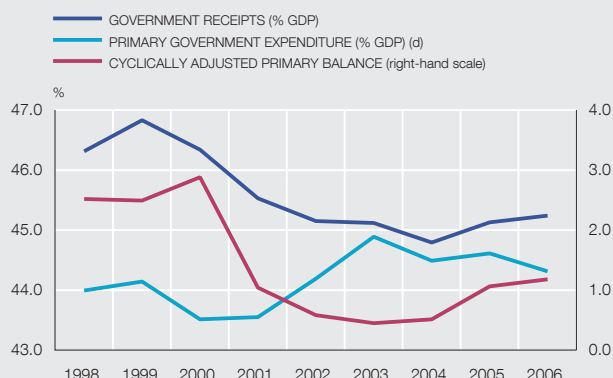
### 1 MONETARY CONDITIONS IN THE EURO AREA



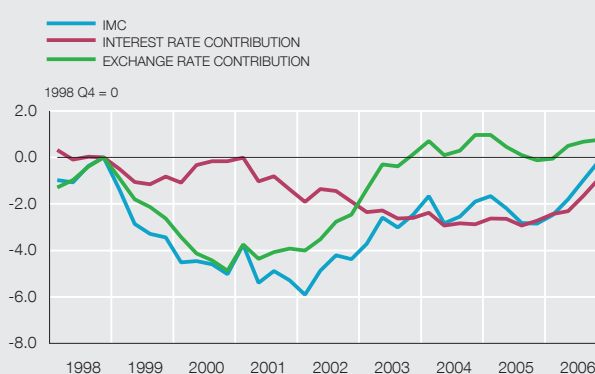
### 3 CONTRIBUTIONS TO IMBC (e)



### 2 BUDGETARY CONDITIONS IN THE EURO AREA (c)



### 4 CONTRIBUTIONS TO IMC (e)



SOURCES: European Central Bank, European Commission and Banco de España.

a. Three-month interbank interest rate less current inflation rate.

b. Calculated using the consumer price index as the deflator.

c. The 2006 figure is the European Commission's autumn forecast.

d. Adjusted for the UMTS receipts in 2000 (which were treated as a reduction in expenditure).

e. IM(B)C: Index of monetary (and/or budgetary) conditions. An increase (reduction) in the index denotes a higher (lower) degree of restriction of the monetary (and/or budgetary) conditions.

obtained for the euro area from a number of simulations using the NiGEM model<sup>1</sup>. The variables used to calculate the index are the real short-term interest rate and the real effective exchange rate (to characterise the developments in monetary conditions) and government receipts and primary public spending (as a percentage of GDP).

Chart 3 shows the path of the IMBC for the euro area since 1998, while Chart 4 shows the contribution to the changes in monetary

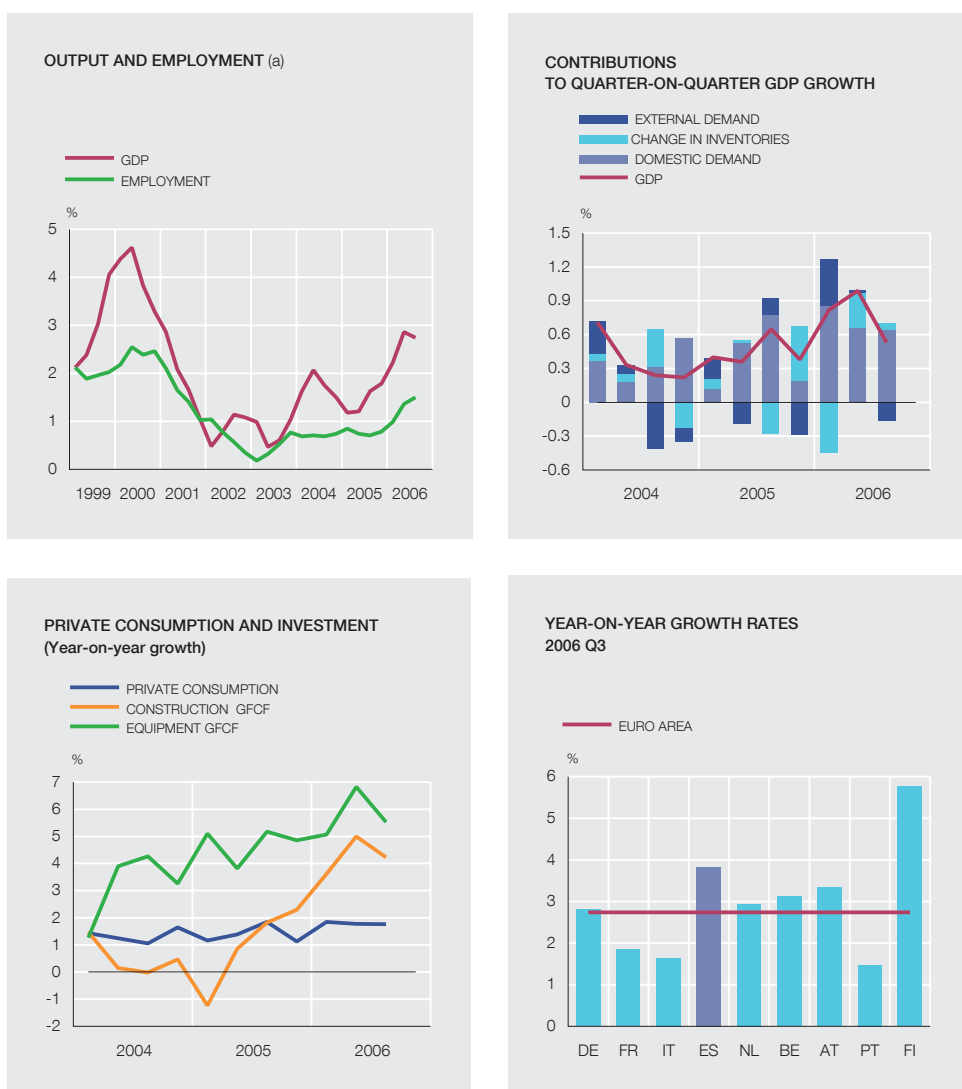
conditions of their two components: the real interest rate and the real effective exchange rate. As can be seen, during an initial phase (to 2002) the euro area policy mix became looser, as a consequence of the relaxing of monetary conditions and, to a greater extent, of the behaviour of fiscal policy. The latter was a result of the loose fiscal policies implemented by a large number of European governments in the early years of Stage Three of EMU, which subsequently led to the Stability and Growth Pact crisis. From 2002, the IMBC displays a progressively more restrictive economic policy mix for the euro area, especially in 2006, when all the components (fiscal policy, interest rate and exchange rate) contributed to this stance. However, both monetary and budgetary conditions are still more relaxed than they were at the start of Stage Three of EMU.

1. NiGEM is a global macroeconometric model built by the NIESR (National Institute of Economic and Social Research). For a more detailed analysis of how the index is compiled, see the article "Un índice de condiciones monetarias y presupuestarias" published in the *Boletín Económico* of July-August 2006, Banco de España.

Almost all the branches of activity contributed to the slowdown in value added in Q3, although agriculture and construction did so particularly strongly. By country, the National Accounts data also show that the slowdown in euro area activity in Q3 was experienced by all the members, with the exception of Spain and Austria, which continued to grow at 0.9%. By component, while the strength of consumption was a feature common to most countries, investment developments were more varied. Among the largest economies, France and Germany recorded a notable slowdown, their GDP growing at nil and 0.6% rates, respectively, well below the 1.1% rate recorded in both countries in the previous quarter. The sharp slowdown was prompted in both cases by the reduction in the contribution to growth of changes in inventories, compounded in the French case by more muted investment growth, since the contribution of external demand improved. In Italy, however, the fall in the contributions of the net external balance and domestic demand were only partly offset by the larger contribution from changes in inventories, so that GDP recorded quarter-on-quarter growth of 0.3%, down 0.3 pp from the previous quarter.

With regard to labour, the latest information available is consistent with a gradual improvement in conditions in euro area labour markets. In 2006 Q3 employment again grew at a quarter-on-quarter rate of 0.4%, which entailed a slight improvement in year-on-year terms, to 1.5%. This smooth acceleration, together with the moderation in the rhythm of economic activity in the area during the same period, caused productivity growth to slow to 1.2% year-on-year. According to a recent study by the European Commission, however, this one-off decline in productivity took place within a process of smooth recovery in the trend component, with notable gains in the services sector. Meanwhile, wage moderation continued to prevail in Q3, with compensation per employee growing by 2%, 0.3 pp below the rate in Q2, which meant that the rate of change of unit labour costs held at 0.8% (see Chart 9). The moderate growth in costs in the euro area continued to be explained by their decline in Germany and the Netherlands, which offset the growth seen in the rest of the countries for which information is available. Finally, the increase in the GDP deflator (1.8%) in Q3 again exceeded that in unit labour costs, which caused business margins to widen further.

In general, the most recent conjunctural information for 2006 Q4 indicates that the rate of activity in the euro area was either sustained or improved slightly (see Chart 10). Among the supply indicators, industrial production decelerated in October and November, although the IPI continued to increase at an average rate of close to 3% year-on-year. The qualitative indica-



SOURCES: Eurostat and national statistics.

a. Year-on-year rates of change.

tors, for their part, held at high levels in Q4. On one hand, the European Commission's confidence indicators were on average in Q4 above their Q3 levels in the industrial and services sectors, while they held steady in construction. On the other hand, the surveys of purchasing managers in the manufacturing and services sectors showed a slight decline on average in Q4, although they remained at levels consistent with robust activity growth. Employment expectations according to both business surveys improved in all sectors (industrial, services and construction) in 2006 Q4. In addition, the November unemployment rate fell by 0.1 pp to 7.6% (the lowest level since the start of Stage Three of EMU), which extended the progressive reduction in unemployment that commenced in mid-2004.

On the demand side, the indicators also anticipate strong output in 2006 Q4, although the behaviour of some of them is distorted by the bringing forward of consumption prompted by the rise in VAT in Germany at the beginning of 2007. Thus, new car registrations rose notably in November (basically because of the strong increase in Germany) and the indicators of a qualitative nature on consumers and the retail trade compiled by the European Commission increased in the final quarter of last year. Retail sales behaved differently, rising only slightly in

	2005				2006			2007
	Q2	Q3	Q4	Q1	Q2	Q3	Q4 (a)	Q1 (b)
GDP								
Year-on-year growth	1.2	1.6	1.8	2.2	2.9	2.7		
Quarter-on-quarter growth	0.4	0.6	0.4	0.8	1.0	0.5		
European Commission forecasts (c)							(0.3 ; 0.7)	(0.4 ; 0.8)
IPI (d)	0.7	1.5	2.1	3.4	4.1	4.0	3.0	
Economic sentiment	96.2	98.0	100.6	103.0	107.2	108.6	110.3	
Industrial confidence	-10.0	-7.3	-5.7	-2.3	2.3	3.3	5.7	
Manufacturing PMI	49.3	51.0	53.0	54.7	57.1	56.9	56.7	
Services confidence	8.7	10.7	14.0	14.7	18.7	19.0	19.7	
Services PMI	53.1	53.8	55.6	57.8	59.2	57.3	57.1	
Unemployment rate	8.7	8.5	8.5	8.2	7.9	7.8	7.7	
Consumer confidence	-14.3	-15.3	-12.3	-10.7	-9.7	-8.3	-7.0	
HICP (d) (e)	2.1	2.6	2.2	2.2	2.5	1.7	1.9	
PPI (d) (e)	4.0	4.4	4.7	5.1	5.8	4.6	4.3	
Oil price in USD (e)	54.0	62.6	56.5	61.6	68.1	61.2	62.8	52.7
Loans to the private sector (d) (e)	8.1	8.8	9.2	10.9	11.0	11.5	11.2	
Euro area ten-year bond yield	3.4	3.3	3.4	3.6	4.0	4.0	3.9	4.1
US-euro area ten-year bond spread	0.80	0.98	1.12	1.06	1.08	1.00	0.82	0.66
Dollar/euro exchange rate (e)	1.209	1.204	1.180	1.210	1.271	1.266	1.317	1.304
Appreciation/ depreciation of the dollar against the euro (e)	-11.2	-11.6	-13.4	2.6	7.8	7.3	11.6	-1.0
Dow Jones EURO STOXX Broad index (e)	8.9	17.7	23.0	10.3	4.2	11.9	20.3	1.2

SOURCES: Eurostat, ECB and Banco de España.

a. The information in italics does not cover a full quarter.

b. Information available up to 20 October 2006.

c. Quarter-on-quarter growth forecasts.

d. Year-on-year growth.

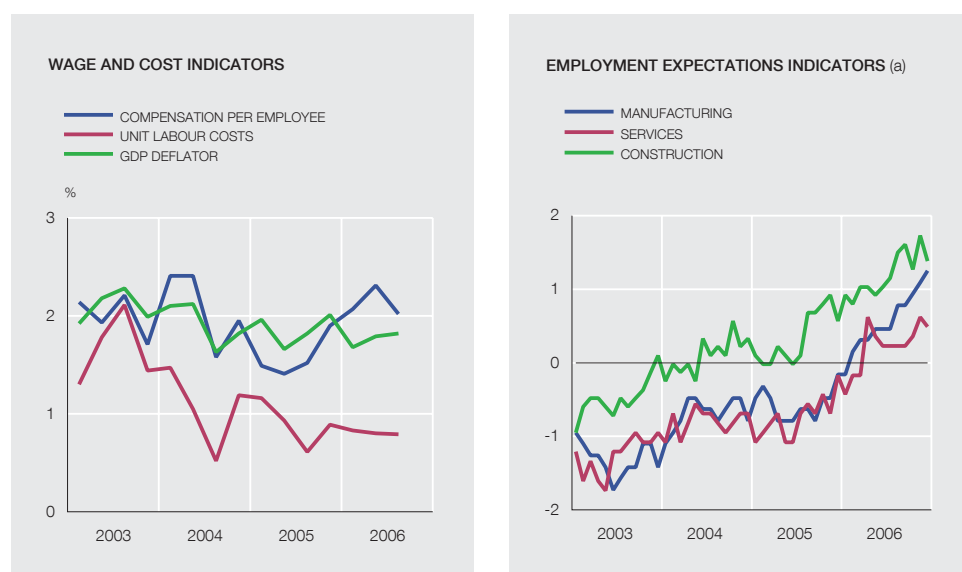
e. End-period data. Figures for exchange rates and the stock market are percentage changes over the year.

October and November. With respect to capital goods investment, the improvements in Q4 in the capacity utilisation and order book indicators mean that good prospects can be discerned for this component of GDP. Finally, in relation to external demand, the assessment of external order books by industry improved notably in 2006 Q4, while export expectations according to the European Commission's quarterly survey held unchanged in the same period. Lastly, the data for euro area external trade in nominal terms for October and November show a high rate of growth of exports and, to a lesser degree, of imports.

As a result of the foregoing, in 2006 Q4 GDP growth in the euro area is likely to have been sustained or to have increased slightly, and may therefore be in the upper half of the range proposed by the European Commission (0.3-0.7%). In 2006 as a whole, therefore, output growth for the area may exceed 2.5%, in line with the most recent forecasts by certain international agencies. In 2007 Q1, the rhythm of activity is not expected to change significantly and the increase in GDP is expected to come within the range offered by the Commission (0.4-0.8%). However, this scenario is subject to a number of uncertainties. On one hand, while buoyant employment and decelerating oil prices may result in stronger consumption, the magnitude of the impact on spending of the tax reforms that came into force at the beginning of 2007 in Germany and Italy is not clear. In the longer term, the risk continues to exist of a disorderly unwinding of world imbalances.

With respect to inflation, the last two months of 2006 saw a halt in the downward trend in prices that commenced in the middle of the year, owing to the behaviour of the energy





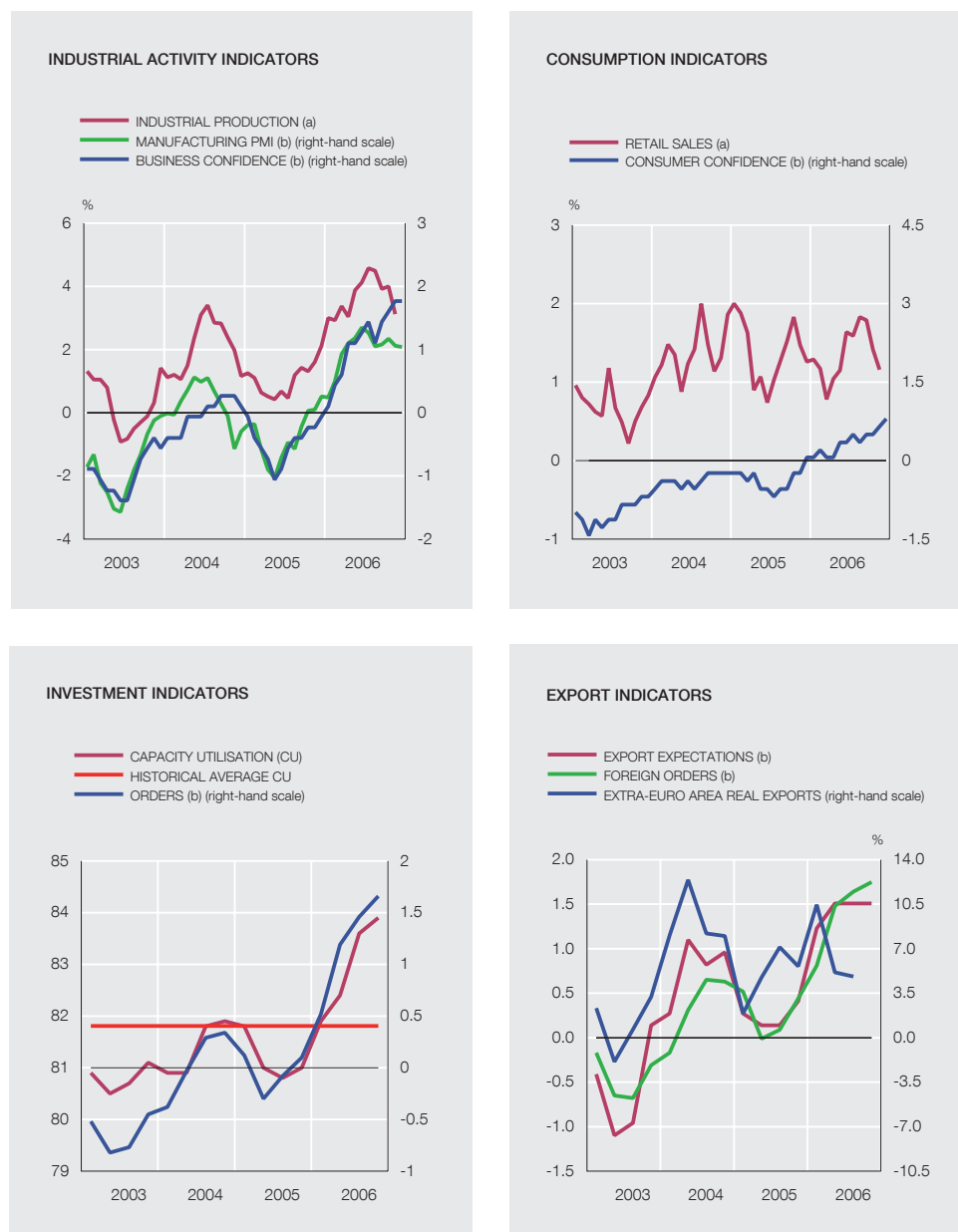
SOURCES: Eurostat and European Central Bank.

a. Expectations based on European Commission sentiment indicators. Normalised data.

component (and, to a lesser extent, of unprocessed food), which was the result of a positive base effect related to the favourable behaviour of this group in the same period of 2005. Thus, the growth in the overall HICP was 1.9% in December, up 0.3 pp from the low for the year of 1.6% recorded in October (see Chart 11). Meanwhile, the HICP excluding unprocessed food and energy, its most volatile components, held steady during the quarter at 1.6%, only 0.1 pp higher than in September. In 2006 as a whole, therefore, inflation stood at 2.2%, the same rate as in 2005, so that it again exceeded the 2% reference used in the definition of the Eurosystem's price stability objective. The rise in energy prices in Q4 also influenced the behaviour of producer prices. Thus, the acceleration in energy prices and, to a lesser extent, in capital goods prices led to a rise in November in the overall index, while the rate of growth of the rest of the components either moderated or remained unchanged.

In general terms, despite the acceleration in prices in the last months of 2006, short-run inflationary risks were reduced slightly owing to the moderateness of wage growth and underlying inflation, the recent fall in oil prices and the past appreciation of the exchange rate. At a longer horizon, however, buoyant domestic demand and the pick-up in the labour market may prompt intensified wage demands. In any event, over the coming months, the biggest uncertainties relate to oil prices and the impact of tax reform in Germany.

On ECB estimates, the current-account deficit for the period January-October was €20 bn, well above the €6.3 bn deficit recorded in the same period of 2005. This worsening was a consequence of the decline in the goods surplus and, to a lesser extent, of the increase in the transfers deficit, which offset the reduction in the income deficit. Meanwhile, the basic balance, which combines the current-account balance with net direct and portfolio investment, recorded a surplus of €52.9 bn in the first ten months of 2006, up from €18.7 bn in the same period a year earlier. This improvement was based on the reduction in the direct investment deficit, with net capital outflows falling from €178.7 bn in 2005 to €94.7 bn to October 2006.



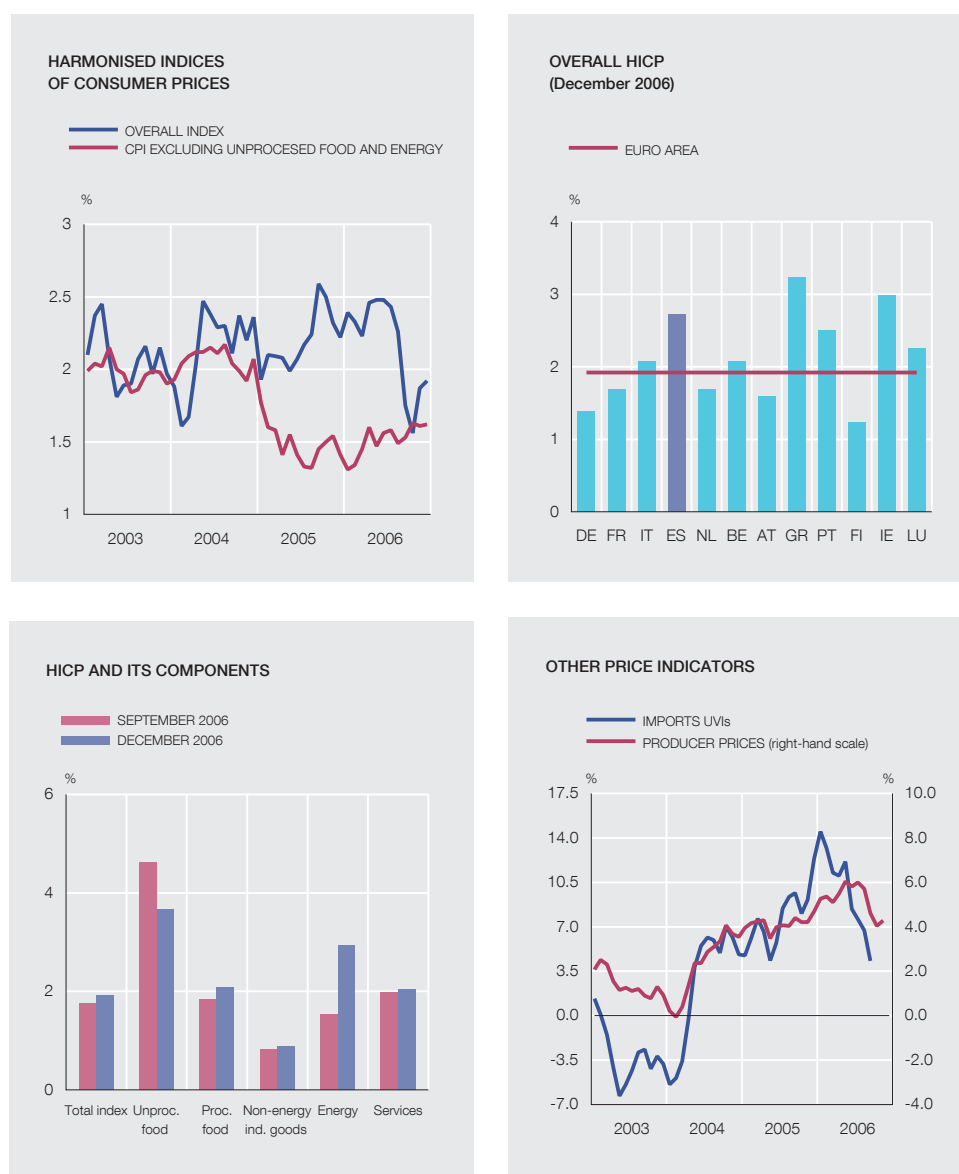
SOURCES: Eurostat and European Commission.

a. Non-centred annual percentage changes, based on the quarterly moving average of the seasonally adjusted series.

b. Normalised data.

By contrast, net portfolio investment contracted with respect to the same period of the previous year by €36.1 bn, to €167.6 bn.

With regard to fiscal policies, most of the countries presented their updated stability programmes to the European Commission in late 2006 and early 2007 (see Table 2). On aggregate, the general government deficit in the euro area was reduced to 1.9% in 2006, from 2.4% a year earlier, basically as a result of higher-than-expected revenues. This estimate is only 0.1 pp lower than that considered by the European Commission in its autumn report. By country, the budget balance projections for 2006 in the European Commission's autumn report also generally coincide with those presented more recently in the stability programmes. According to the latter, only Italy and Portugal had a budget deficit of more than 3% in 2006 (4.8% and



SOURCES: Eurostat and European Central Bank.

4.6%, as against 4.1% and 6% in 2005, respectively). The deterioration in the Italian public finances was basically a result of the refund of VAT revenues on certain products that the State was obliged to make. By contrast, the measures taken by Greece and Germany during 2006 led to a notable reduction in their deficits, to 2.6% and 2.1% respectively (5.2% and 3.2% in 2005). As a result, the European Council determined in October that, in line with the views of the European Commission and in accordance with the deficit-correction measures taken by the German authorities, no further measures would be needed in the context of the excessive deficit procedure. Finally, the French and Spanish programmes project a reduction in the deficit and an increase in the surplus in 2006, respectively.

Overall, the scant improvement in the cyclically adjusted primary balance estimated in accordance with the results of the European Commission's autumn forecasts suggests that the stance of public finances in 2006 was only slightly contractionary. However, fiscal policy is expected to be more clearly contractionary this year. Specifically, the euro area deficit will be

**GENERAL GOVERNMENT BUDGET BALANCES  
OF EURO AREA COUNTRIES (a)**

TABLE 2

% of GDP					
	2005	2006 (b)	2006 (c)	2007(d)	2007(c)
Belgium	-2.3	0.0	0.0	-0.5	0.3
Germany	-3.2	-3.3	-2.1	-1.6	-1.5
Greece	-5.2	-2.6	-2.6	-2.6	-2.4
Spain	1.1	0.9	1.4	1.1	1.0
France	-2.9	-2.9	-2.7	-2.6	-2.5
Ireland	1.1	-0.6	2.3	0.9	1.2
Italy	-4.1	-3.5	-4.8	-2.9	-2.8
Luxembourg	-1.0	-1.8	-1.5	-0.5	-0.9
Netherlands	-0.3	-1.5	0.1	0.1	0.2
Austria	-1.5	-1.7		-1.2	
Portugal	-6.0	-4.6	-4.6	-4.0	-3.7
Slovenia	-1.4	-1.7	-1.6	-1.6	-1.5
Finland	2.7	1.6	2.9	2.9	2.8
MEMORANDUM ITEMS: euro area (including Slovenia)					
Primary balance	0.5	0.7		1.4	
Total balance	-2.4	-2.3	-1.9	-1.5	-1.4
Public debt	70.6	70.6	69.6	68.0	68.0

SOURCES: European Commission and national stability programmes.

a. As a percentage of GDP. Deficit (-) / surplus (+). The deficits that exceed 3% of GDP have been shaded.

b. Targets of the stability programmes presented in late 2005 and early 2006.

c. Stability programmes presented in late 2006 and early 2007: estimates for end-2006/targets for 2007.

d. European Commission forecasts (autumn 2006)

reduced in 2007 to 1.5%, according to the Commission's autumn report, or to 1.4%, according to the aggregate updated stability programmes. This would largely be the result of the public expenditure containment measures in Germany, France and Italy, and also of the permanent discretionary measures on the revenue side in the form of a rise in tax rates in Germany and an increase in direct taxes and social contributions in Italy. In 2007, both the Commission and the stability reports predict that only Portugal will be in an excessive deficit situation.

### 3.2 Monetary and financial developments

In 2006 Q4, the ECB Governing Council again moderated the expansionary nature of monetary conditions with 25 bp increases in its official interest rates at its October and December meetings. It considered that there were upside risks to the maintenance of price stability related to the rise in oil prices, the possible introduction of new fiscal measures and higher wage demands. At its first meeting of the year, the ECB decided to keep interest rates unchanged, but confirmed the existence of the same risks to price stability and assured that it would monitor economic developments very closely, in order to avoid such risks materialising. As a result of these decisions, the interest rate on main refinancing operations stood at 3.5%, and those on the deposit and marginal lending facilities at 2.5% and 4.5% respectively (see Chart 12). Despite the more restrictive monetary policy stance, the latter was still accommodative.

The interbank yield curve shifted gradually upwards in Q4, in step with the expectations of rising official rates. On government debt markets, long-term yields also rose in the last two



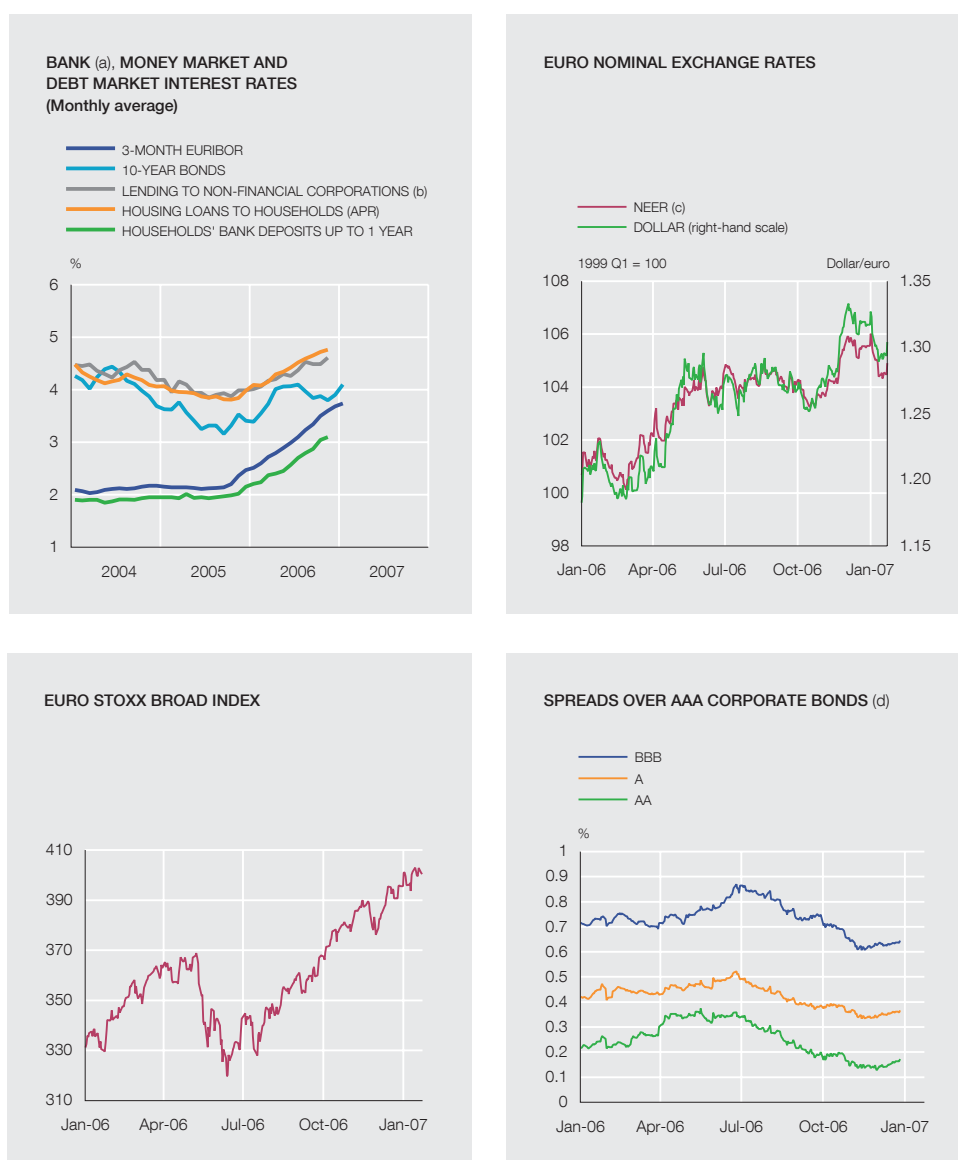
SOURCES: European Central Bank and Banco de España.

a. Estimated using swap market data.

b. Estimated using Euribor data.

months of the year, following erratic behaviour in October and November. These developments, combined with the smaller decline in bond rates in the United States, meant that the yield spread narrowed constantly, to stand at 0.7 pp in January. Also, the rise in official rates drove up the rates applied by credit institutions to their loans and deposits (see Chart 13).

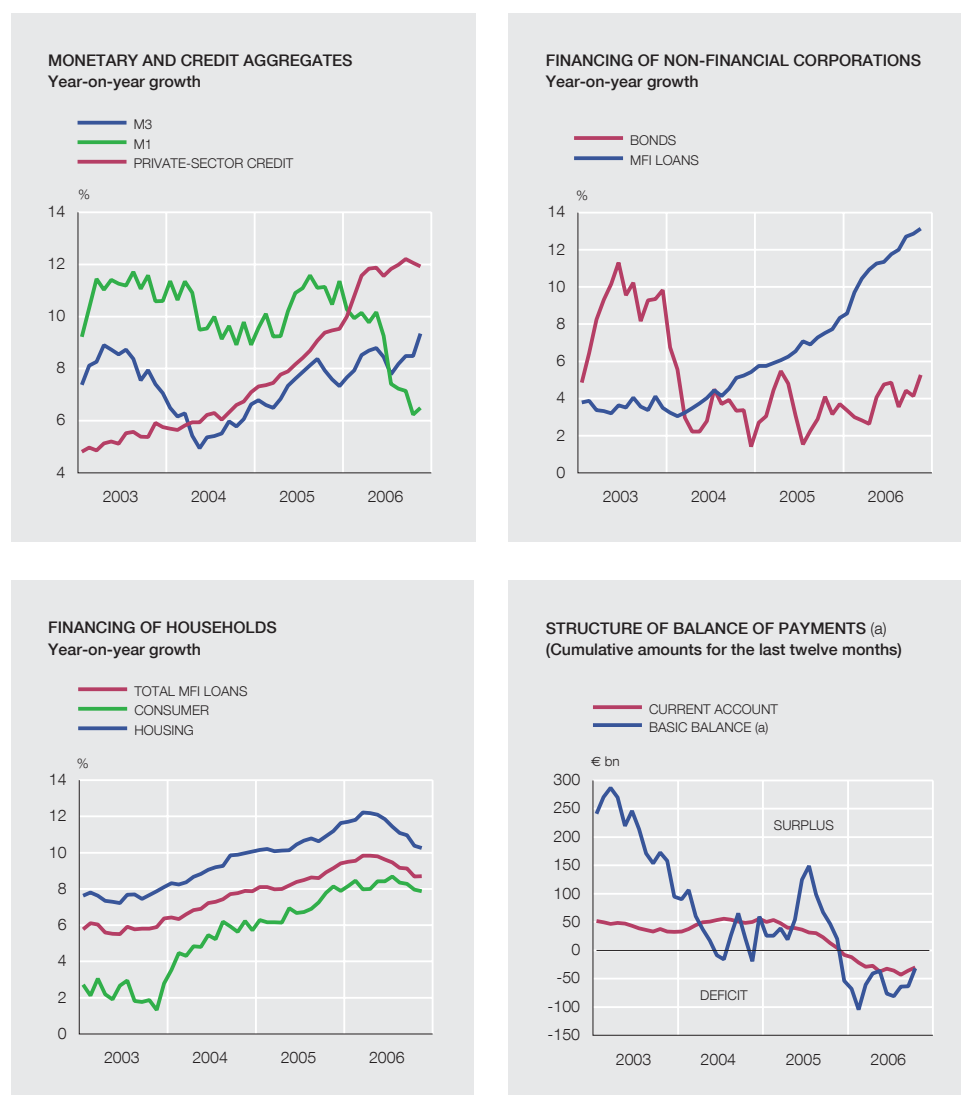
In the final quarter, the nominal effective euro exchange rate appreciated by 1.4% relative to September, as a result of the nominal appreciation with respect to the dollar and the Japanese yen, which was only partly offset by the weakening of the single currency against the pound sterling and other European currencies. In the first few weeks of 2007, however, the euro changed direction and depreciated on average by around 0.6% in nominal effective terms and about 1% with respect to the dollar. On equity markets, the favourable corporate earnings outlook, along with certain merger and acquisition transactions, boosted stock market indices in 2006 Q4. The EURO STOXX index rose by 7% in 2006 Q4, and by 20.3% in 2006 as a whole. During the first few weeks of January the index rose by about 1%.



SOURCES: Banco de España and European Central Bank.

- a. Data drawn from new statistics on interest rates compiled by the ECB for new business.  
 b. Interest rates over five years.  
 c. Nominal effective exchange rate index (EER-23). Narrow group of currencies defined by the ECB.  
 d. Euro-denominated bonds issued by non-financial corporations.

With regard to monetary aggregates, M3 grew by 9.3% in November, up 0.8 pp from the previous two months (see Chart 14). The strength of activity, the low levels of euro area interest rates and the flattening of the yield curve drove the growth of this aggregate to levels not seen since 1990. By component, while the rate of growth of cash fell, deposits (both overnight and other) and negotiable instruments accelerated. As for bank assets, the buoyancy of MFI loans to the private sector was sustained in Q4, with a rate of change of 11.2% in November. By agent, the high rate of growth of loans to non-financial corporations, which stood in November at 13.1%, was attributable, according to the Q3 Bank Lending Survey, to the strength of inventory and fixed capital investment, mergers and acquisitions and debt restructuring, against a background of favourable financing conditions. Meanwhile, loans to households continued to rise at a rate of 8.7%, since those for consumption and housing only suffered a slight loss of buoyancy, to 7.9% and



SOURCES: Banco de España and European Central Bank.

a. The basic balance is approximated by the sum of the balance on current account and direct and portfolio investment.

10.2% respectively. The latter developments are in line with the expectations for Q4 according to the Bank Lending Survey, which envisage a gradual slowing of the demand for loans for house purchase, in step with expectations of a deceleration in prices and activity in the property sector. Finally, private sector credit continued to behave differently across countries. In Spain very high rates of growth (almost twice the euro area average) were recorded, while in Germany the rate was well below the European average. By contrast, loans in France and Italy grew more closely in line with the euro area as a whole.

## 4 The Spanish economy

On QNA estimates, year-on-year GDP growth in Q3 was 3.8%, 0.1 pp up on the previous quarter. This was due to the continuing expansion in national demand and to a slight improvement in the contribution of net external demand to output. In quarter-on-quarter terms, GDP increased at a rate of 0.9%, matching that of the first two quarters in 2006. The information available for Q4 suggests that the GDP growth rate has once again risen, to 4% year-on-year (1.1% in quarter-on-quarter terms), the result of the acceleration in national demand to 4.7% and of the 0.1 pp improvement in the contribution of net external demand to –0.9 pp (see Chart 15). The greater momentum of national demand was underpinned by the dynamism of investment both in capital goods and in construction.

On this estimate for Q4, GDP growth for 2006 as a whole would be 3.8%, 0.3 pp more than in 2005. The most favourable feature of this expansion is that it has proven compatible with the rebalancing of the contributions of national demand and of net external demand to growth. Indeed, national demand slowed by 0.4 pp in 2006, although it is still running at a fairly brisk year-on-year rate of 4.6%, while the contribution of net external demand to the expansion in output improved by 0.6 pp. Under national demand, the component where the slowdown was most patent was private consumption, while investment in construction retained its buoyancy from the previous year and investment in capital goods gathered even greater momentum in relation to its growth rate in 2005. Turning to the external sector, goods exports picked up significantly after having been flat in 2005, though they continued to grow at a lower rate than that of Spanish export markets.

The disaggregated data for the different branches of activity show that the rise in GDP in Q4 was across the board. As in Q3, the most pronounced acceleration was in manufacturing industry, though the rate of increase in both construction and market services was significant and somewhat higher than the estimate for the previous quarter.

The Q4 indicators suggest that employment has continued to grow at a high rate in excess of 3%, whereby apparent labour productivity for the whole economy rose only slightly in this period. As a result, unit labour costs stabilised in Q4, offsetting the marginal acceleration in compensation per employee. The inflation rate continued to decline in Q4 from an average of 3.5% in Q3 in the case of the CPI, to 2.7% in December. Behind this to a large extent is the fall in oil prices since the summer, although some decline can also be seen in underlying inflation, as the growth rate of the CPI excluding unprocessed food and energy dipped from 3% on average in Q3 to 2.5% in December.

### 4.1 Demand

In 2006 Q3, Spanish household final consumption spending grew by 3.6% in year-on-year terms, 0.1 pp less than the previous quarter. The latest conjunctural information suggests that private consumption will post a similar rate in Q4. Specifically, the synthetic indicator of private consumption points to a slight acceleration in the consumption of goods in the closing months of the year, which includes the rise in new car registrations that took place in this period. That said, drawing on data from the tax authorities on large corporations, the consumption of services might hold up or lose some momentum in Q4 (see Chart 16). Finally, the consumer confidence indicator improved significantly in the last three months of the year, while retail trade confidence moved in the opposite direction, worsening in relation to the previous quarter.





SOURCES: INE and Banco de España.

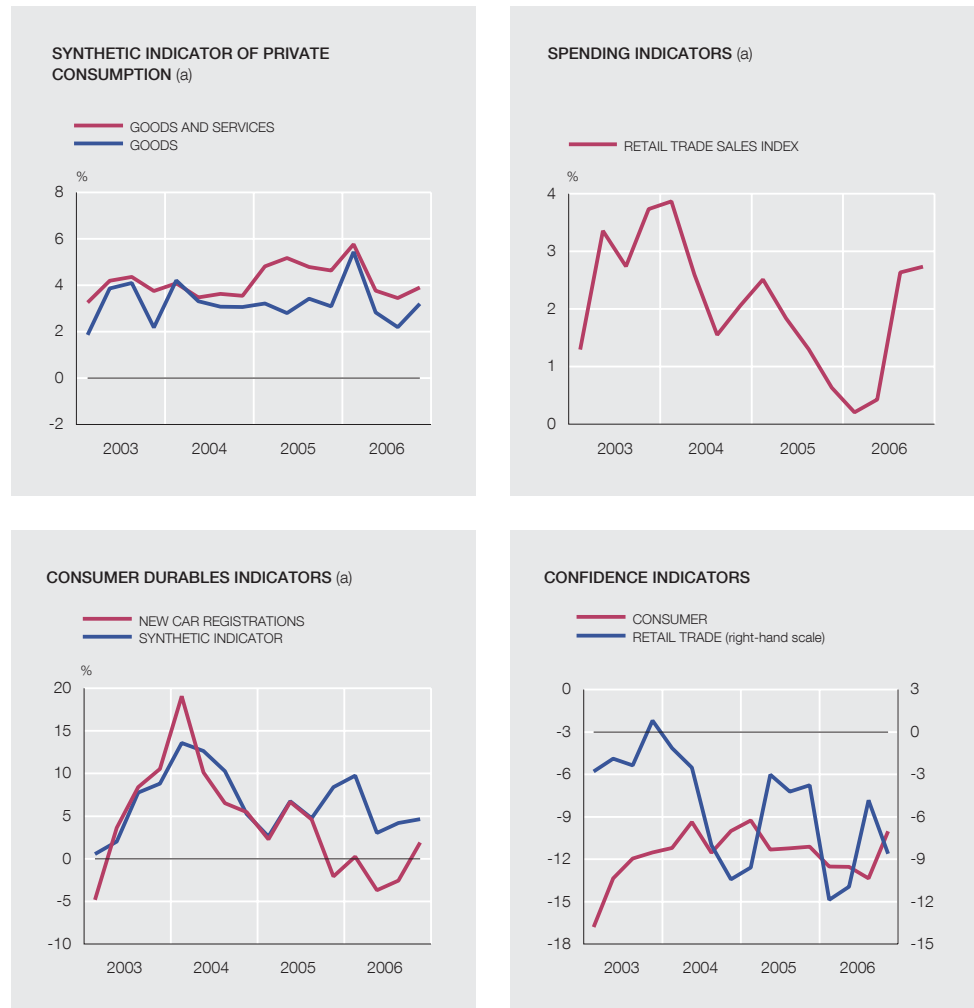
a. Year-on-year percentage change based on seasonally adjusted series.

Private consumption is estimated to have grown by 3.7% over the year as a whole. That is still a sharp rate, albeit 0.5 pp below the 2005 figure. In any event, household consumption continued to grow in 2006 at a brisker pace than that of household disposable income. As a result, the saving ratio continued to decline, as shown by the non-financial accounts of the institutional sectors, which are available to Q3. And this despite the rise in interest rates, which should have boosted saving. One of the explanatory factors here might be the fact that household wealth continued to increase at a high rate in 2006, owing to the notable rise in stock market prices (the Madrid Stock Exchange General Index grew by almost 35% over the year as a whole) and the increase in real estate wealth, although house prices continued to slow gradually. The fact that employment generation held at a relatively high rate, which further led to employee compensation remaining buoyant, may also have improved future expectations of household income, thereby encouraging consumption.

In 2006 Q3, general government final consumption posted an increase of 4.2%, unchanged on Q2. The information available points to some quickening in this aggregate in Q4, based on the data on goods and services drawn from the State budget outturn and on employee compensation, chiefly in the territorial governments.

Gross fixed capital formation moved at a brisk rate of increase in Q3 (6.8% year-on-year), 0.2 pp above the rate for Q2. Behind this acceleration was the higher growth both in investment in capital goods and investment in construction, which rose by 9.5% and 6.1% respectively, 0.4 pp and 0.3 pp up on the previous quarter. In contrast, investment in other products slowed somewhat from 3.3% to 2.9%. On the information provided by the Q4 indicators, gross fixed capital formation continued to expand at a sharp rate in this period, the result of the continuing considerable strength of both spending on capital goods (which is still the most dynamic component of domestic demand) and investment in construction (see Chart 17).

In fact, the indicators relating to investment in capital goods reveal that the favourable trend recorded throughout the year is continuing. The indicator of apparent investment in capital goods, calculated with incomplete data for 2006 Q4, points to a fresh rise in capital goods purchases, based principally on the strength of the domestic output of these goods. Further, both the business climate indicator for the capital goods industry and the business confidence



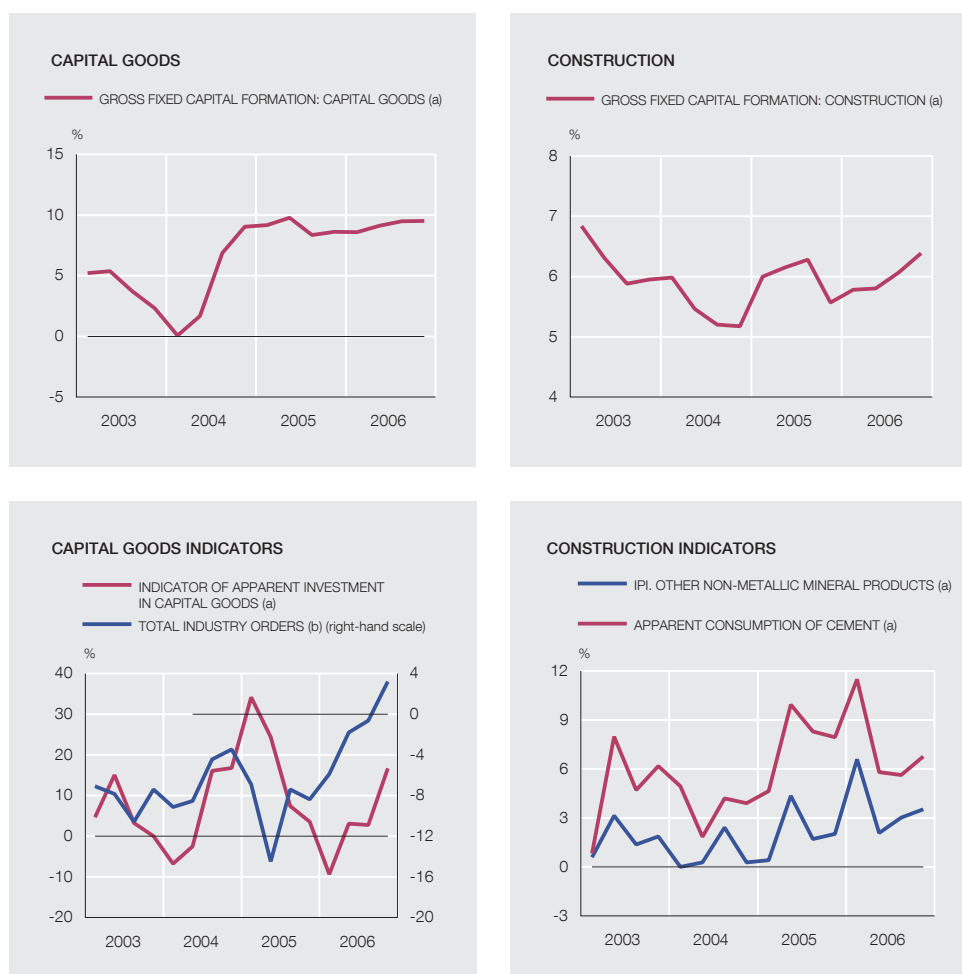
SOURCES: INE, European Commission, ANFAC and Banco de España.

a. Year-on-year percentage change based on the seasonally adjusted series.

indicator improved considerably in Q4, accompanied by the favourable trend of orders and by an increase in the level of capacity utilisation.

Investment in construction climbed by 6.1% in 2006 Q3, in line with the high growth rate recorded in the previous quarters. Judging by the latest conjunctural information, this dynamism might continue into Q4. In this respect, among the coincident indicators, the apparent consumption of cement quickened considerably during the months of October and November, as did the manufacture of industrial products for construction. The number of Social Security registrations in this branch has lost some momentum in Q4, although they continue to grow at a high rate.

By type of work, investment in housing increased by 6.6% in Q3, meaning its growth in the first nine months of the year exceeded that of the related periods in previous years. According to the leading information provided by the Ministerio de Fomento's work approvals statistic, allocated in time according to a project execution schedule, residential construction might maintain this strength in the final quarter of 2006. Investment in the other construction segments – non-residential building and civil engineering works – grew by 5.5% in Q3, up on the rate estimated for the first six months. Although the conjunctural information is scander and more



SOURCES: INE, European Commission, Ministerio de Fomento, OFICEMEN, Instituto Nacional de Empleo and Banco de España.

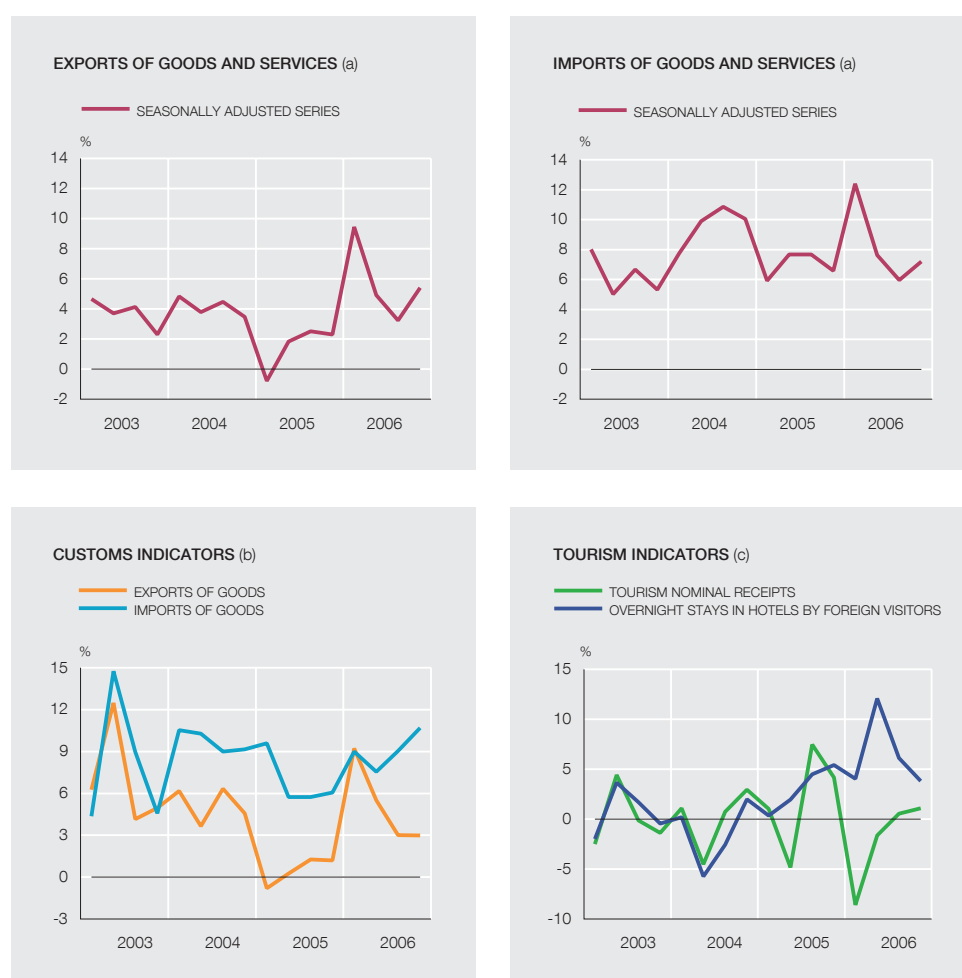
a. Year-on-year percentage change based on the seasonally adjusted series.

b. Level of original series.

uncertain for this type of work, non-residential building continues to be sustained by the strong growth of works executed by general government. Civil engineering works, in the absence of full information on private sector-promoted works, also appear to be more robust in late 2006, in keeping with the period-adjusted data on government procurement.

The information on non-financial corporations for the first nine months of 2006, compiled by the Banco de España Central Balance Sheet Data Office, shows notable growth in activity and a firming of the job creation process, thanks to the strength of domestic demand and the improvement in external demand. The momentum of business activity has offset the increase in the interest burden, whereby the ordinary return on net assets has continued to trend favourably. This, combined with the still relatively moderate levels of interest rates, means that new investments continue to look attractive.

On the latest QNA figures, the contribution of net external demand to GDP growth improved by 0.1 pp in 2006 Q3 to -1.0 pp, whereby the gradual correction in this variable seen since 2005 Q2 continued. Set against the slackness of exports and the slowdown in imports observed in 2005, foreign trade flows in the first three quarters of 2006 were on the whole more dynamic. Exports picked up appreciably and imports rose, although in both cases the profile



SOURCES: INE, Ministerio de Economía, Ministerio de Hacienda and Banco de España.

- a. QNA data at constant prices.
- b. Deflated seasonally adjusted series.
- c. Seasonally adjusted series.

within the year 2006 was a slowing one. This recovery in exports has come about against a more expansionary international backdrop than that seen in 2005, and one in which the key-note is the greater buoyancy the euro area has acquired.

The as yet incomplete information for 2006 Q4 suggests that the rate of increase in exports rose slightly, in line with the firming of the recovery in the euro area countries (see Chart 18). For 2006 as a whole, however, the rise in exports is lower than that of the related markets, meaning that the share of sales abroad continued to diminish. Real imports of goods and services appear to have strengthened in the closing months of the year, underpinned by the dynamism of final demand, improved exports, the momentum of industrial activity and the lower prices in euro of such imports. Accordingly, the contribution of net external demand growth is estimated to have improved by 0.1 pp in Q4.

On QNA figures, the year-on-rate of increase of real goods exports continued to slow, falling in 2006 Q3 to 3% from 4.7% in Q2 and 13% in Q1. For Q4, information drawn from the customs authorities for October and November shows a slight rise on the rate estimated the previous quarter. In the first eleven months of the year real goods exports have increased by 5.7%, with

capital goods exports performing most dynamically and increasing by 14.6% in this period. In terms of geographical areas, real goods exports to the euro area, which had fallen by 1.3% in 2005, rose by 3.5% in the first eleven months of 2006, while exports to the rest of the world maintained their momentum with a rate of increase of 11.1% in this period.

Real exports of tourist services posted a marginally positive rate of 0.6% in 2006 Q3 according to QNA data, above the rates in the first half of 2006. The latest indicators available on overnight stays by foreign visitors in hotels and on the number of foreign tourists suggest some moderation in Q4. The nominal indicators of tourist spending have also worsened in recent months, with a decline in total tourist spending in October and zero growth in November. In any event, overnight stays by foreign visitors in hotels in 2006 as a whole grew at a notable rate of 6.5%, more than twice that recorded in 2005, while the number of tourists climbed by 4.5%, in line with the WTO's projected growth for world tourism. However, according to EG-ATUR, total tourist spending continued to show signs of sluggishness, as average spending per tourist did not cease to fall. This was a result of the shortening of their average stay in Spain although, as indicated in the previous quarterly report, the figures in this survey may be somewhat downward biased in 2006.

Real exports of non-tourist services grew by 7% in 2006 Q3 according to QNA figures, prolonging the moderating profile of the previous quarter. Foreign sales of transport services slowed in this period, while other lesser items, such as IT services and insurance, fell. Nonetheless, business services, one of the main items, moved on an expanding course.

QNA figures show that the year-on-year growth rate of real goods imports stabilised in 2006 Q3 at 7.3%. Customs data for October and November indicate that imports will also remain strong over the course of Q4, at a slightly higher rate than in the July-September period. In the first eleven months of the year, the growth of imports in real terms climbed to 9.3%, with a rate of increase of around 11% for both purchases of non-energy intermediate goods and non-food consumer goods.

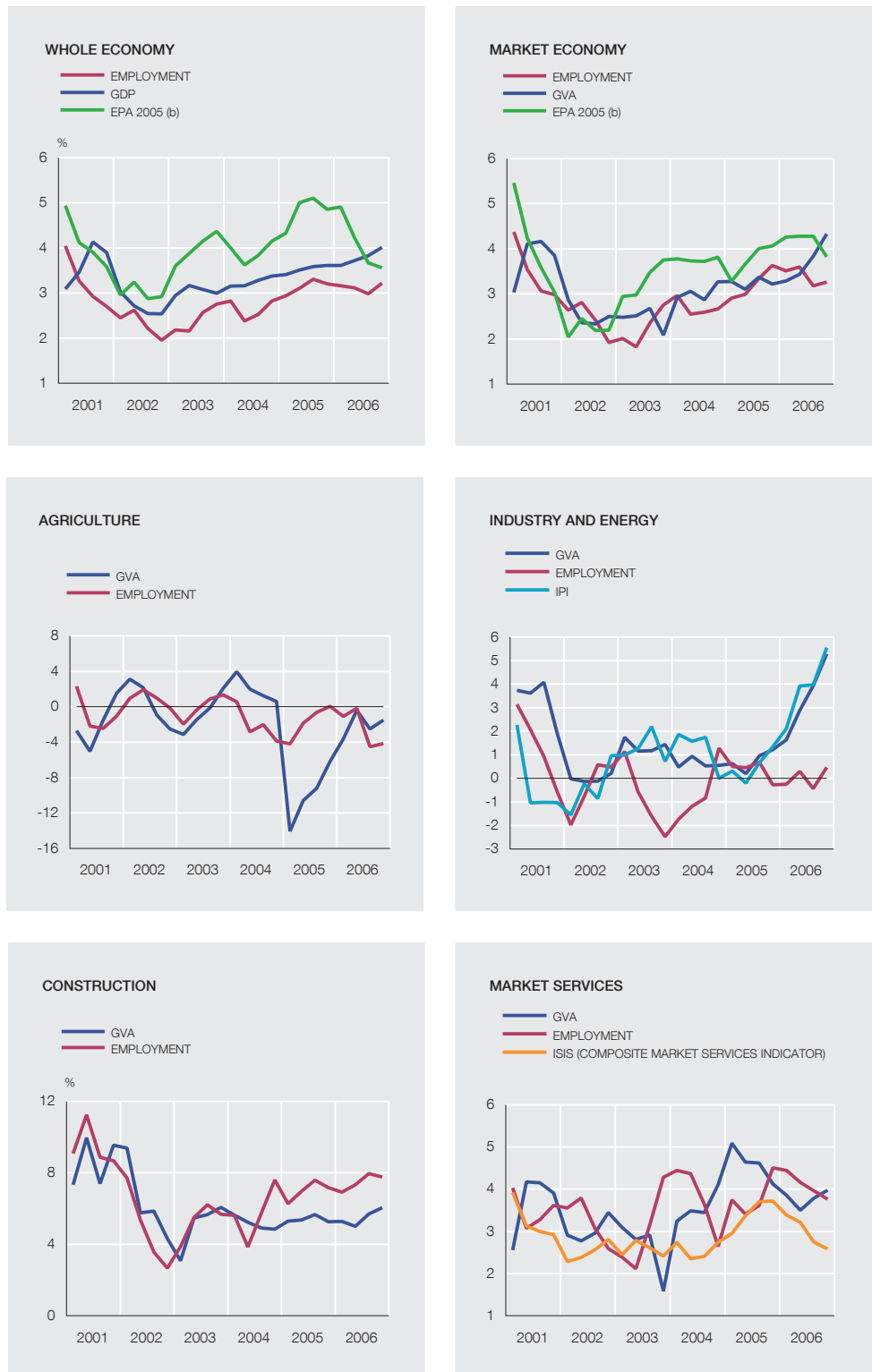
Finally, again on QNA figures, real services imports were virtually flat in Q3, posting a year-on-year rate of 0.6% compared with 9% the previous quarter, interrupting the expansionary path on which they had held in 2005 and early 2006. This was the outcome of the lesser momentum both of tourism and non-tourist services (the slowdown was more marked in the latter item).

## **4.2 Output and employment**

The dynamism seen in the market economy in the first half of the year gathered momentum in 2006 Q3 according to QNA figures, posting year-on-year growth in value added in these branches of 3.8%, 0.4 pp up on the previous quarter. This acceleration was across the board, with the exception of the agriculture and fisheries branches. The indicators available suggest that this robustness has run into Q4 whereby, for 2006 as a whole, annual growth in value added in these branches would be 0.5 pp higher than that of the previous year, with the related rates of increase improving in all branches except that of market services (see Chart 19).

Activity in the agricultural and fisheries branches contracted more sharply in 2006 Q3 than in the previous quarters. On QNA data, GVA in this branch fell off by 2.5 pp, compared with a decline of 0.4 pp in Q2. Nonetheless, this decline in activity came about in parallel with strong increases in the output of certain crops such as cereals, pulses and olives.

The energy and industrial branches remained, in the period from July to September, on the accelerating path initiated a year earlier. The momentum added in Q3 was of the order of 1 pp,



SOURCES: INE, Ministerio de Trabajo y Asuntos Sociales and Banco de España.

a. Year-on-year percentage rates based on seasonally adjusted series except in the case of the EPA, when they are based on gross series. Employment in terms of full-time equivalent jobs. EPA figures refer to numbers of persons. For incomplete quarters, the year-on-year rate for the period available within the quarter is taken.

b. Series linked at the Banco de España on the basis of the control survey conducted using the methodology applied until 2004 Q4.

taking the related growth rate to 3.9% on QNA figures. The main increase was in the industrial branch, which grew at a rate 1.2 pp up on Q2, rising to 4%, a rate not recorded since 2001. Exports, inputs in the construction branch and, above all, investment in capital goods were the factors behind the greater dynamism in Q3. The conjunctural information available for the final quarter of the year shows that industrial activity has continued to quicken. The industrial production index rose by 5.7% in year-on-year and calendar-adjusted terms in the October-November period, 1.5 pp above the growth in Q3; and the business turnover indices improved in October and November on the results obtained in the previous quarter. Finally, the opinion-based indicators also trended favourably: the European Commission's confidence indicator increased by a couple of points, emerging from the negative values of previous quarters, and the manufacturing PMI was up by 3.5 points on Q3.

Following a slight loss of steam in 2006 Q2, construction activity once again gathered momentum in the summer months, posting a rate of change of 5.7%. This saw an extension of the relatively stable growth phase in construction since 2003 Q2 which, in the light of the conjunctural information available, will continue into the final quarter of the year.

Services were also part of the general expansionary climate in the Spanish economy in 2006 Q3. On QNA figures, services grew by 3.8%, 0.3 pp up on the previous quarter. This momentum in services activity was extensive to market and to other services, with a similar rate of expansion in both cases. In 2006 Q4, market services held on an expansionary course, according to the conjunctural information available. On data to November, both sales by large services corporations and the turnover figures from the indicators of activity in the sector quickened in the second half of the year in real and calendar-adjusted terms. In turn, the index of trading activity drawn from the PMI ended Q4 on a clearly expanding course. In contrast, both the European Commission's confidence indicator and the number of Social Security registrations for the sector showed a more moderate trend in the final months of 2006. Among the activities making up market services, the most dynamic appear to be wholesale and retail distribution and, above all, transport and communications, bearing in mind the employment indicators and the passenger transport statistics with information to November. Set against this, the activities with the most modest growth were hotels and restaurants, with diminished momentum in overnight stays and in Social Security registrations, and real estate and business services, for which the Social Security registration figures also slowed in Q4.

In 2006 Q3, according to QNA figures, the pace of employment creation in the whole economy once again eased slightly: its year-on-year rate of increase dipped by 0.1 pp to 3%. Given the dynamism observed in GDP, which quickened by 0.1 pp during this quarter, economy-wide apparent labour productivity picked up slightly, standing at 0.8% compared with 0.6% the previous quarter. The main employment indicators paint a favourable picture for the final quarter of the year, in which employment might expand at a rate at least as robust as that in Q3. The year-on-year growth of Social Security registrations, stripping out the effect of immigrant regularisation, held in the final quarter of 3.3%, a similar rate to that in Q3. New hires also showed sustained growth in Q4 of 7.3%, meaning that the number of employment contracts increased by almost 8% in 2006, up on the 5% increase in 2005. Finally, EPA (Labour Force Survey) Q4 figures indicated the maintenance of the growth rate of employment, with a year-on-year growth rate of 3.6%, only 0.1 pp below that observed a quarter earlier.

The slight loss of momentum in employment in Q3 was the result of the slowdown in agriculture, industry and market services combined with the improved figures in construction and in non-market services. The slowing profile of employment in the market branches as a whole was, therefore, rather more marked than in the whole economy, posting a year-on-year growth

rate of 3.2%, 0.4 pp less than the previous quarter. Consequently, the recovery in apparent labour productivity was on a greater scale for the market economy, with a gain of 0.6%, allowing the declining path of previous quarters to be left behind. In Q4, according to the EPA, employment would have continued on a declining path in agriculture but picked up in the industrial branches, with year-on-year growth of 1% following the losses in employment in Q3. The rate of employment creation once again rose in construction to 8.3%, while in the services branches employment slowed to 4.3%, compared with 4.9% in Q3.

As regards the growth of dependent employment, the National Accounts data show some deceleration, with year-on-year growth for Q3 of 3% in the whole economy and of 3.3% in the market economy, 0.1 and 0.4 pp less, respectively, than in the previous quarter. The EPA Q4 figures point to stability in the growth of dependent employees, at 3.9%, while self-employment slowed somewhat, posting year-on-year growth of 2.3%. This meant that dependent employees as a proportion of total numbers employed stood at 82.3%, 0.3 pp up on the related level a year ago. The information drawn from Social Security registrations indicates that the easing in self-employment creation continued in the closing months of the year, once the effects of the immigrant regularisation process had run their course. As a result, in the last three months the numbers of self-employed registered with the Social Security system grew at a year-on-year rate of 0.4%, against 1.7% in Q3. In contrast, registrations remained buoyant in the case of dependent employees, with a growth rate of 4% in 2006 Q4.

On EPA data, the number of foreign employees increased in annual terms by 18.7%, somewhat above the related rise in the previous period (17.4%). The number of national employees grew by 1.6%, 0.3 pp down on Q3. With regard to contract duration, the year-on-year growth in numbers of dependent employees with a temporary contract remained slightly higher than that for permanent contracts. Nonetheless, the year-on-year growth rate of employees with a temporary contract eased to 4.1%, compared with 4.5% the previous quarter, while permanent employment quickened by 0.3 pp to year-on-year growth of 3.9%. These developments meant a quarterly decline in the ratio of temporary to total employees of only 0.8 pp to 33.8%, the level one year earlier, despite the exceptional process involving rebates for the conversion of temporary contracts into permanent ones which concluded on 31 December last year. According to INEM hiring statistics, this process prompted a strong rise in permanent hires in 2006 Q4, which raised the proportion of permanent contracts to 14.7%, more than 5 pp above the related 2005 level. Also contributing to this rise were permanent hires not as a result of contract conversions, especially in the case of employment-promoting contracts.

As regards full- and part-time employment, the former – as in the rest of the year – remained more buoyant than the latter in Q4. That said, the growth in full-time workers slowed slightly to 3.7% (4% in Q3). The year-on-year growth in part-time employees rose in Q4 to 2.5%, against 1.1% in Q3. Overall, the proportion of part-time to total workers rose to 11.9%, 0.6 pp up on Q3, but 0.1 pp below the related level a year earlier.

The labour force continued to be notably dynamic in Q4, although there was a slight slowdown in its growth to 3.1% year-on-year, 0.3 pp less than in the previous quarter. These developments in labour supply are attributable to the ongoing increase in the participation rate (which stood at 58.6%, 0.9 pp up on the same quarter in 2005) and to the sustained increase in the population, which once again grew by 1.6%, as in the previous quarters. If the participation rate is calculated with regard to the working population aged 16-64, as is usually the case in international comparisons, it rises to 72.2%. Finally, the number of unemployed increased in Q4 by around 45,000 in relation to Q3, although compared with the same period a year earlier it fell by some 30,000 (1.7%), following the stability recorded in Q3. The INEM registered un-





SOURCES: INE, Ministerio de Trabajo y Asuntos Sociales and Banco de España.

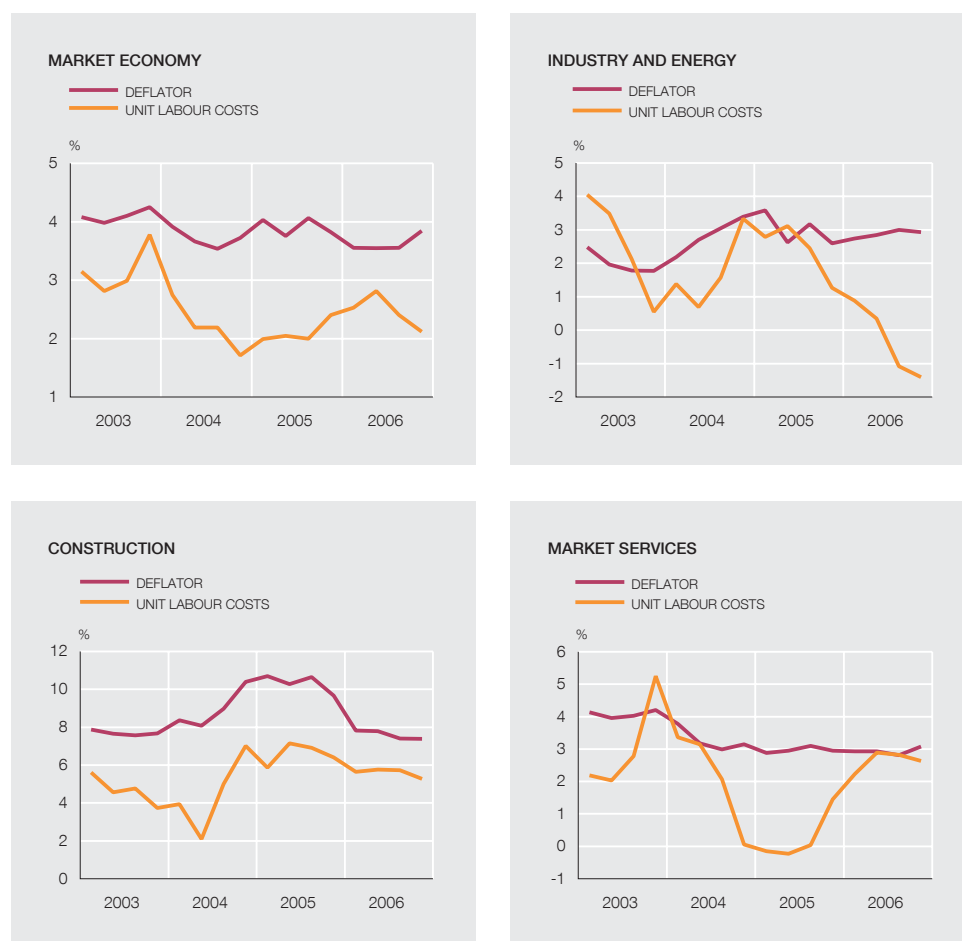
- a. Percentage change on same quarter a year earlier.
- b. Rates based on QNA seasonally adjusted series.
- c. Information on collective bargaining agreements to December 2006.
- d. Previous year's indexation clause.
- e. ETCL.

employment figures also show a sharper year-on-year rate of decline in unemployment, with a fall of 3.4% in Q4. In the final quarter of the year the unemployment rate stood at 8.3%, 0.4 pp down on a year earlier, although 0.2 pp higher than in Q3.

### 4.3 Costs and prices

On National Accounts estimates, compensation per employee continued to move in Q3 on the accelerating path seen since late 2005. Its rate of increase economy-wide rose by 0.1 pp to 3.4%. This was due to the acceleration in industry and market services, with a rise in both of 0.4 pp, taking the respective year-on-year growth rates to 3.3% and 2.6%. Also of note was the fact that compensation in non-market services continued to post a high year-on-year growth rate (4.8% in Q3). The Quarterly Labour Costs Survey is along the same lines, since it points to an acceleration in Q3 to 3.6%. That is attributable to the buoyancy of wage costs, which climbed from 3.1% in Q2 to 4% in Q3, the result of the strong rise in the wage component, since the rate of increase in non-wage costs slowed by over 2 pp to 2.6%. Compensation per employee is expected to continue quickening in Q4, which might take the wage increase for 2006 as a whole up to a level 0.7 pp higher than that of the previous year, both for the whole economy and for the market economy (see Chart 20).

The information drawn from collective bargaining agreements registered in 2006 showed an increase in wage rates, before including the impact of the indexation clauses, of 3.2%, 0.1 pp higher than in 2005. In revised agreements, with data to November, the increase recorded was also 3.2%, while the agreed rise in newly signed agreements was somewhat higher at 3.4%. This latter figure is some way off the wage guidelines implicit in the Interconfederal Agreement for Collective Bargaining, owing probably to the fact that the high inflation in the first half of the year may be reflected in a lesser degree of adherence to such guidelines. Almost 9 million workers were subject to a registered agreement to December, almost 79% of which (on figures to November) had a revised agreement. It is estimated that the indexation clause for 2005, which was paid in 2006, entails a wage increase of 0.9 pp, 0.3 pp more than in the previous year. The presence of these clauses was once again significant for collective bargaining in



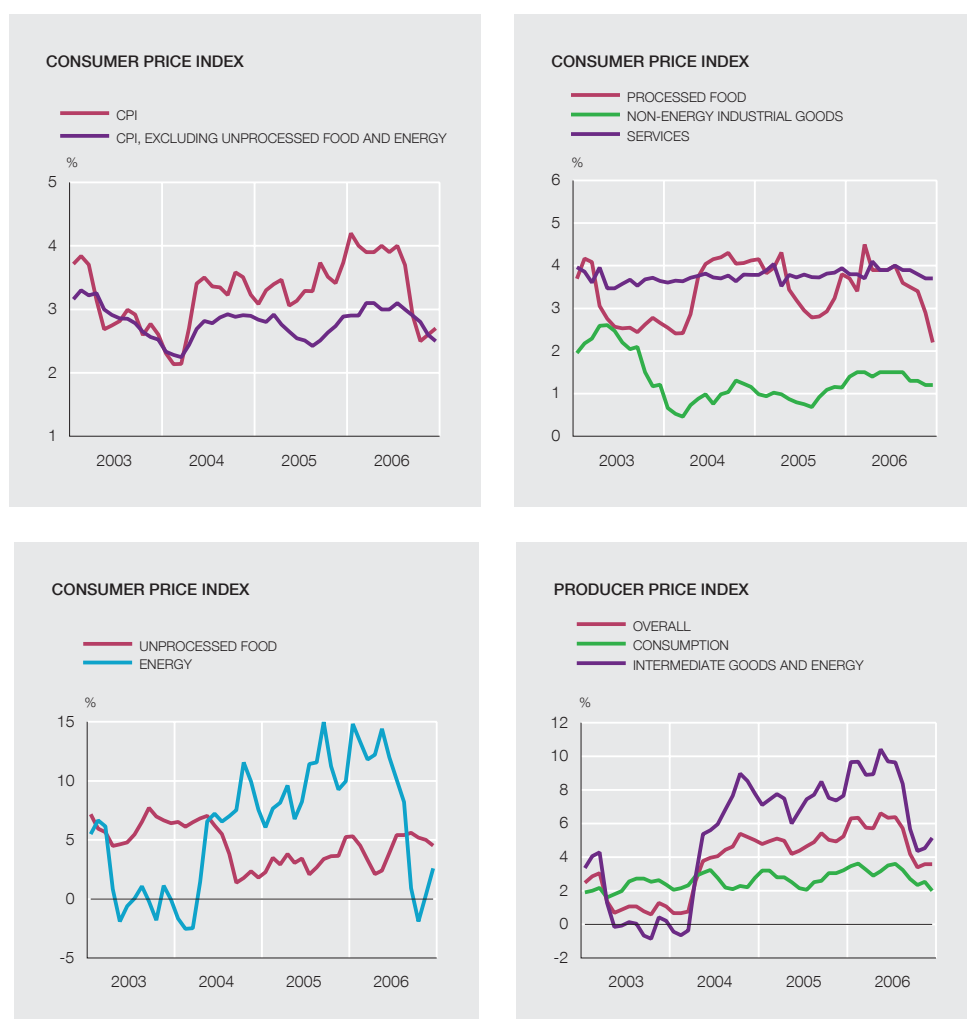
SOURCES: INE and Banco de España.

a. Percentage change on a year ago based on QNA seasonally adjusted series.

2006, since it affected 78.6% of employees in the agreements registered to November. Given that the growth rate of the CPI has progressively declined in the second half of 2006, to 2.7% in December (a substantially lower rate than a year earlier), the clauses will foreseeably impact labour costs in 2007 to a lesser extent than last year.

Despite the slight rise in compensation per employee in 2006 Q3, the greater acceleration in apparent labour productivity enabled the rate of increase in economy-wide unit labour costs to be cut slightly. In contrast, the growth of the value added deflator held at the levels of the previous quarter, whereby unit margins widened. A similar pattern was observable in the case of the market economy.

The rise in the growth of compensation per employee in Q3 was greater – by 0.4 pp – than in the market economy as a whole, where the year-on-year growth rate was 3.1%. However, the increase in productivity was also more significant in these branches, as a result of which unit labour costs in 2006 Q3 held stable in some cases, such as in construction or market services, or fell substantially, as in industry, where there was a particularly sharp improvement in apparent labour productivity (see Chart 21). A fresh rise in compensation per employee is estimated for Q4. That would be offset by a similar increase in productivity, as a result of which unit labour costs would continue to grow at the same rate. In the market economy, the expected bigger increase in productivity would, by contrast, allow unit labour costs to slow, which would mean an improvement in unit margins.

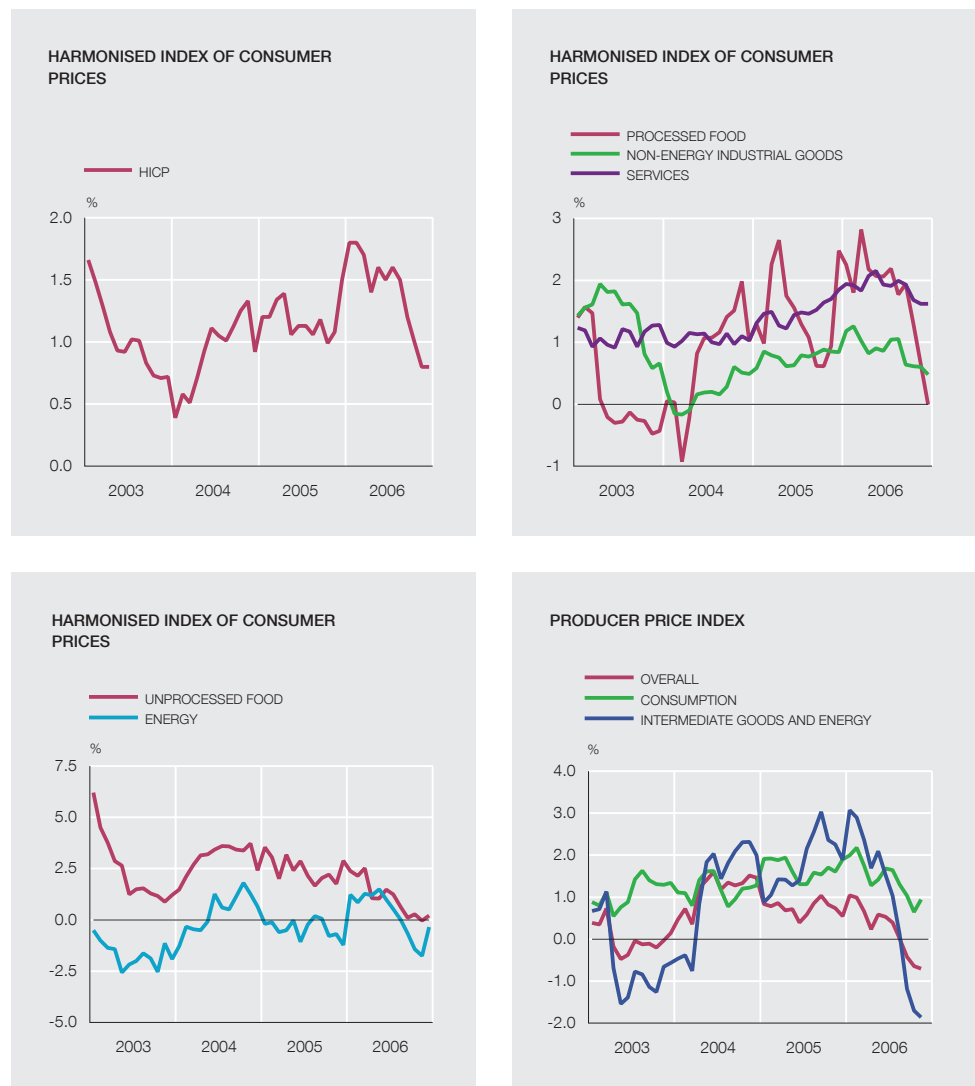


SOURCE: INE.

a. Twelve-month percentage change based on the original series.

In Q3, the year-on-year rate of increase in the final demand deflator fell by 0.3 pp to 3.8% as a result of the slowdown in both the imports deflator (down to 3.6% year-on-year from 4.4% the previous quarter) and the GDP deflator (also down 0.2 pp to 3.8%). On the expenditure side, the year-on-year growth rate of the private consumption deflator, like that of the CPI, fell by 0.4 pp to 3.5%. The year-on-year growth rate of the gross fixed capital formation deflator declined to 4.6%, after holding at 5% in the previous quarters, while the growth rate of the exports deflator stood at 4.3%, 0.1 pp lower than the previous quarter.

The CPI posted average growth of 3.5% in 2006, 0.1 pp up on 2005. However, this figure is the outcome of a mixed performance, with the rate of around 4% in the first half of the year falling to 2.6% in Q4, a figure not seen since 2004 Q1 (see Chart 22). In December, the year-on-year rate was 2.7%. The pace of the main CPI components fell off in Q4 in relation to the same quarter a year earlier, albeit with differing intensity. The most notable slowdown was that in energy prices, whose year-on-year growth rate declined by 6 pp between Q3 and Q4 last year from 6.3% to 0.3%. Oil prices fell notably from August, leading the average price per barrel to stand in Q4 at \$10 below the related level the previous quarter, while the appreciation of the euro against the dollar in the two final months of 2006 also contributed to lower growth in



SOURCES: Eurostat and Banco de España.

a. Twelve-month percentage change based on the original series.

the energy bill. Unprocessed food prices slowed in Q4 to 4.9%, 0.6 pp down on the rate the previous quarter.

The rate of change of the CPI excluding unprocessed food and energy fell to 2.6% in Q4, compared with 3% in the three previous quarters. The year-on-year growth of non-energy industrial goods prices declined by 0.2 pp in Q4 to 1.2%, while services prices grew at a rate of 3.7%, also slowing by 0.2 pp, thanks to the behaviour of tourism-related and air transport prices. Processed food prices, at 2.8%, posted a lower rate of increase in Q4 compared with Q3 (3.7%). This was thanks in particular to olive oil prices, which have slowed notably from a year-on-year rate of over 30% in the summer months to growth of less than 10% at year-end.

The growth of the HICP in Spain declined by 1 pp between Q3 and Q4 to a rate of 2.6%, while in the euro area as a whole there was a 0.3 pp fall to 1.8%. As a result, the differential with the euro area narrowed, for the first time since 2004 Q2, to less than 1 pp (see Chart 23). In terms of components, the improvement in the inflation differential was across the board, either be-

Since the outset of the monetary union, the Spanish economy's inflation rate, in terms of the harmonised index of consumer prices (HICP), has persistently outpaced that of the euro area as a whole. It posted a differential of 1.1 pp on average for the period 1999-2006 (see Chart 1). In 2006 as a whole, the Spanish HICP outgrew that of the euro area by 1.4 pp. Nonetheless, the annual average masks a favourable trend over the year as a whole. In December 2005 there was a notable widening of the inflation differential, which became more acute in 2006 Q1 when Spanish inflation exceeded that of the euro area by 1.7 pp. Since then, there has been a gradual reduction in the Spanish inflation rate, and in 2006 Q4 (the latest figure available) the differential narrowed to 0.9 pp (see adjoining table).

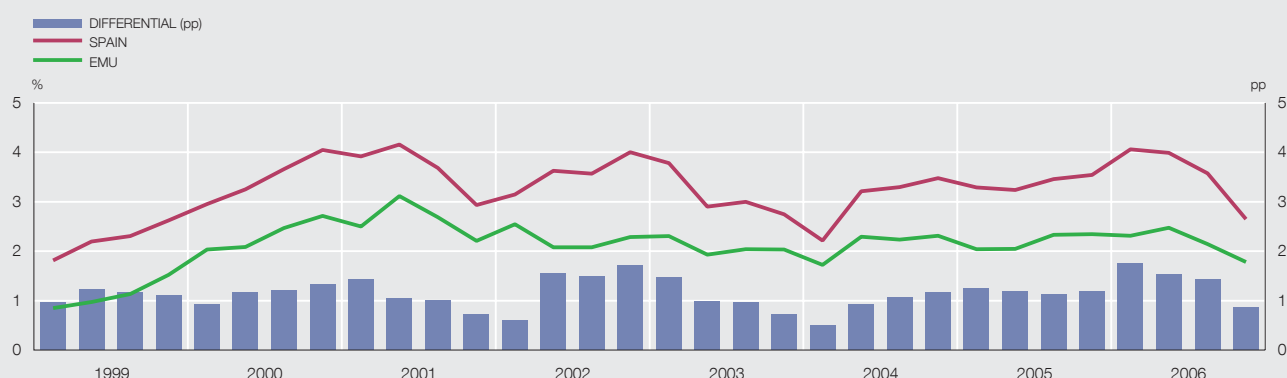
The deterioration in the inflation differential in the opening months of 2006 was closely connected with the course of energy and food prices, although the other components were also affected (see Chart 2). Similarly, the subsequent reduction has been concentrated in the more volatile components of the HICP and in processed food, while the cuts in services have been very limited.

The widening of the differential in respect of energy products in early 2006 was essentially in response to changes in the regulated

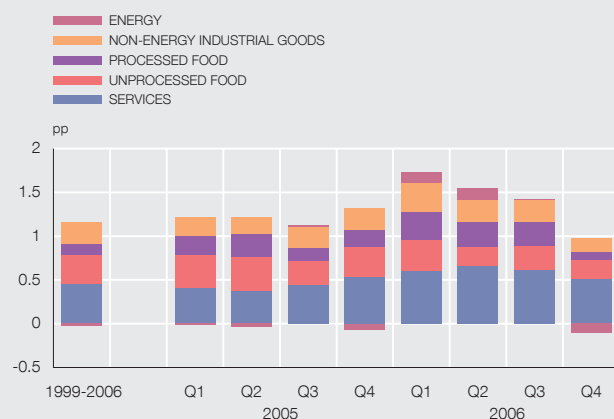
prices of gas and electricity in Spain, although there were also increases in charges on a similar scale in the euro area as the year progressed. The narrowing of the differential for unprocessed food during 2006 was largely due to the upward trend of these prices in the euro area. As a result, unprocessed food as a whole posted a differential of 0.2 pp in 2006 Q4, compared with 2.4 pp in 2006 Q1.

Some reduction in the differential of the three most stable HICP components with the euro area has also been apparent, although the scale of this narrowing is notably different. For instance, processed food prices increased in 2006 Q1 in Spain by 2.3 pp more than in the euro area, while in Q4 this differential narrowed to 0.6 pp. This trajectory was largely linked to dearer olive oil, whose consumer price increased in Spain by more than 30% year-on-year. Over the course of the year, these prices progressively eased and in December their year-on-year growth turned negative. The non-energy industrial goods differential stood at 0.6 pp in 2006 Q4, compared with 1.2 pp in the opening months of the year. This largely reflects how the growth rates of clothing and footwear prices in Spain have drawn closer to those in the euro area, against a background of growing penetration by Asian products.

**1 SPAIN'S INFLATION DIFFERENTIAL WITH THE EURO AREA**  
Year-on-year rates



**2 CONTRIBUTIONS TO THE INFLATION DIFFERENTIAL**



**3 DIFFERENTIAL WITH THE EURO AREA IN 2006**

	DIFFERENTIAL		CONTRIBUTIONS	
	Q1	Q4	Q1	Q4
OVERALL INDEX	1.7	0.9	1.7	0.9
UNPROCESSED FOOD	2.4	0.2	0.4	0.2
PROCESSED FOOD	2.3	0.6	0.3	0.1
NON-ENERGY INDUSTRIAL GOODS	1.2	0.6	0.3	0.2
ENERGY	1.1	-1.2	0.1	-0.1
SERVICES	1.9	1.6	0.6	0.5
MEMORANDUM ITEM				
CPI EXCLUDING UNPROCESSED FOOD AND ENERGY	1.7	1.1	1.2	0.8

SOURCES: Eurostat and Banco de España.

In 2006 as a whole, the inflation differential in services amounted to 1.9 pp, a figure not recorded since the start of the monetary union. Over the course of the year the reduction was very small, and was concentrated in the final quarter. Indeed, the differential in 2006 Q4 (1.6 pp) was only 0.3 pp below that for Q1 and was largely linked to the trend of tourist package prices. Notable among the services components for its contribution was the item *restaurants, bars and cafeterias*. In 2006 as a whole, this item accounted for almost two-thirds of the services differential. The high relative significance of this component reflects two types of effects of similar magnitude. On one hand, there is the composition effect, arising from the fact that the share of these services in our country's expenditure is higher than in the euro area. Thus, spending on the services item in 2006, in accordance with the HICP weights, accounted for almost 40% of the consumption of services in Spain, compared with less than 20% in the euro area. On the other hand is the fact that restaurant and bar prices in Spain increased by 4.5% in 2006, 1.8 pp above the rate in the euro area. The greater dynamism of these prices in Spain might reflect the different cyclical situation in our country, which would be conducive to the widening of margins, and a more expansionary trend in the wages for these activities in Spain. Other items also contribute to the services inflation differential, albeit to a lesser extent. The differential observed in house rentals and services would be linked, on one hand, with the buoyancy of the construction sector in Spain, which has a bearing on the prices of specific services, and, on the other hand, with the high growth rate of house prices, which car-

ries rentals in tow to some extent. Finally, there were lower declines in communications prices in Spain in 2006 than in the euro area as a whole, which may be attributable to the rises in the subscription charge made by the dominant operator.

Spain's inflation differential relative to the euro area has trended favourably during 2006, with an appreciable reduction in its magnitude and one which, moreover, has been extensive to all the attendant components. However, the scale of the differential in December 2006 remains high (0.8 pp) and, furthermore, the cumulative differential since the outset of monetary union is almost 10 pp. Additional reductions are expected in this differential in the coming months, given the foreseeable impact of the increase in the VAT rate in Germany on inflation in this country and, consequently, in the euro area as a whole. Nonetheless, certain factors of uncertainty about the future course of the differential persist. Firstly, vigilance will be necessary to ascertain whether the significant narrowing of the price differential in some components - such as unprocessed food - is sustainable, since it may simply reflect a particularly negative performance in the euro area. Secondly, the differential in respect of services price increases has remained most sizeable and persistent, which hampers any lasting approximation of the Spanish inflation rate to that of the euro area. Indeed, expert forecasts compiled by *Consensus Forecasts* assume that the consumer price differential between Spain and the euro area will hold at the relatively high figure of 0.7 pp over the course of 2008.

cause the slowdown was greater in Spain than in the euro area (as with energy, where the differential proved in fact favourable to Spain in Q4, and services), or because price growth in the euro area held stable (as with processed food) or rose (as with unprocessed food and non-energy industrial goods) (see Box 2).

Finally, the producer price index continued slowing to October, but rose slightly in November and December. It posted a year-on-year growth rate in this latter month of 3.6%, compared with 4.2% in September. In the euro area as a whole, producer prices climbed by 4.3% in November year-on-year, 0.3 pp down on September. The slowdown in the producer price index in Spain is largely due to the lesser dynamism of energy production prices, the year-on-year growth rate of which declined by 3 pp from September to November. The growth rate of producer prices in the consumer goods segment also diminished, though only by 0.2 pp, to 2.5% in November. In the case of capital goods and intermediate goods, producer prices are maintaining a stable growth rate of 2.5% and 6.8%, respectively. Prices received by farmers slowed sharply in July and August, to rise subsequently. Lastly, hotel prices held at a very moderate year-on-year growth rate and rose slightly in November, to 2.4%.

#### 4.4 The State budget

In late December 2006, the government presented the eighth Stability Programme update, with estimates and macroeconomic and fiscal projections for the period 2006-2009. The update revised real estimated GDP for 2006 significantly upwards, to 3.8%, compared with 3.3% for the previous update. There has also been an upward revision - albeit a somewhat more moderate one, to 3.4% - of the forecast for 2007, in relation to the growth scenario (3.2%) on

which the State budget for 2007 was based. The general government financial balances have likewise been revised, significantly so for 2006, and a general government surplus of 1.4% of GDP is now anticipated, while in 2007 the surplus is projected to fall to 1% of GDP. In the following years, against a background of stabilising growth in the economy, the general government surplus is also expected to hold at around 0.9% of GDP until the end of the period covered by the update. By sub-sector, the surplus for 2006 will principally be determined by that of the Social Security system, which is expected to amount to 1.1% of GDP, and, to a lesser extent, by the central government surplus (0.6% of GDP). It is estimated that the regional and local governments will end the year with deficits of 0.1% and 0.2% of GDP, respectively. The reduction in the projected general government surplus in 2007 is due to the central government sub-sector, whose surplus will be halved, and the Social Security system, whose forecast surplus is 0.9% of GDP, while the local government deficit will fall to 0.1% of GDP and the regional governments will post a similar deficit to that of the previous year.

According to National Accounts methodology, the State accounts recorded a surplus of 2.2% of GDP in the 11 months to end-November 2006, notably higher than the surplus of 1.6% of GDP obtained a year earlier (see Table 3). Despite the fact that the State balance is subject to a high degree of seasonality, and that December is a clearly deficit month, which means a substantial reduction in the surplus to November is foreseeable, this result might suggest that the surplus at the end of the year for central government will be somewhat higher than initially estimated.

In cash-basis terms, the State posted a surplus of €17,070 million to November, compared with the figure of €11,209 million the previous year. The discrepancies between the National Accounts and cash-basis balances are mainly due, as usual, to the adjustments for the different interest imputation criterion and for the change in receivables and payables.

Likewise in cash-basis terms, State revenue grew more than forecast in the outturn projection, while expenditure growth was somewhat more moderate than the projection indicated. Higher revenue was due both to indirect and, above all, to direct taxes, while on the expenditure side there was some containment in most items, with the exception of current transfers and interest payments, which posted declines lower than forecast in the outturn projection.

For the analysis of revenue, information is available on total takings relating to the main taxes, both the portion assigned to the State and that corresponding to the ordinary-regime regional governments, although Table 3 only includes the State figures. According to total takings, revenue quickened overall in the closing months of the year despite the easing by certain items. Specifically, the growth of personal income tax revenue intensified to 14.4%, underpinned by the favourable course of withholdings on income from work and those on movable capital. In contrast, corporate income tax slowed slightly following the October prepayment, but it continues to reflect the sound trend of corporate earnings, posting growth of 17%. Turning to indirect taxes, the growth of VAT increased sharply in the final months to 9.7%, while the increase in excise duties stabilised at 2.6%, below the outturn projection for the year as a whole. This was largely due to the easing back of tobacco consumption and to price movements in the case of the tax on hydrocarbons. Finally, the rate of decline of the items grouped under the heading *Other revenue* continued to slow, with a reduction of 9.9% to November.

As to State expenditure, there was a fairly generalised acceleration in the closing months. Of note in terms of scale were the increases in current transfers and the easing in the path of reduction of interest payments, while wages and salaries posted more moderate increases, significantly below those foreseen in the outturn projection. As regards capital expenditure

EUR m and %								
	Outturn 2005	Percentage change 2005/2004	Outturn projection 2006	Percentage change 2006/2005	Outturn JAN- SEP Percentage change 2006/2005	Outturn		
						2005 JAN-NOV	2006 JAN-NOV	Percentage change
	1	2	3	4 = 3/1	5	6	7	8 = 7/6
<b>1 REVENUE</b>	128,777	12.2	138,167	7.3	8.2	119,770	132,362	10.5
Direct taxes	70,665	20.4	78,482	11.1	14.7	64,940	75,132	15.7
<i>Personal income tax</i>	35,953	18.2	38,445	6.9	12.5	34,115	39,156	14.8
<i>Corporate income tax</i>	32,496	24.9	37,478	15.3	18.0	28,808	33,710	17.0
<i>Other (a)</i>	2,215	-1.3	2,559	15.5	14.2	2,017	2,266	12.3
Indirect taxes	44,618	7.9	47,427	6.3	5.3	43,159	46,719	8.2
VAT	32,009	10.0	34,452	7.6	7.5	31,566	34,944	10.7
<i>Excise duties</i>	9,795	0.5	9,932	1.4	-2.8	9,020	9,012	-0.1
<i>Other (b)</i>	2,813	12.9	3,043	8.2	7.8	2,574	2,763	7.4
Other net revenue	13,494	-8.7	12,258	-9.2	-13.6	11,671	10,511	-9.9
<b>2 EXPENDITURE</b>	122,755	7.0	130,951	6.7	4.8	108,561	115,292	6.2
Wages and salaries	20,677	6.1	22,439	8.5	7.1	17,969	19,293	7.4
Goods and services	3,388	-3.5	3,834	13.2	7.3	2,754	3,045	10.6
Interest payments	17,831	6.4	15,520	-13.0	-14.8	17,569	15,470	-11.9
Current transfers	64,541	5.8	71,661	11.0	11.9	56,971	64,779	13.7
Contingency fund	...	...	...	...	...	...	...	...
Investment	8,978	26.4	9,258	3.1	0.4	7,117	7,228	1.6
Capital transfers	7,341	6.8	8,238	12.2	-3.6	6,182	5,477	-11.4
<b>3 CASH-BASIS BALANCE (3 = 1 - 2)</b>	6,022	...	7,216	...	...	11,209	17,070	...
MEMORANDUM ITEM: NATIONAL ACCOUNTS								
Resources	130,419	11.9	143,587	10.1	11.5	120,619	136,734	13.4
Uses	126,719	0.6	140,933	11.2	8.4	105,910	114,783	8.4
<b>NET LENDING (+) OR BORROWING (-)</b>	3,700	...	2,654	...	...	14,709	21,951	...
(as a percentage of GDP)	0.4		0.3			1.6	2.2	

SOURCE: Ministerio de Economía y Hacienda.

a. Includes revenue from the tax on the income of non-residents.

b. Includes taxes on insurance premiums and tariffs.

there was a marked reduction in capital transfers, caused by the notable decline in payments to regional governments and those intended for the private sector.

Box 3 details the main aspects of the Social Security budgetary outturn to October.

#### 4.5 The balance of payments and the capital account of the economy

In the first ten months of 2006, the overall balance on current and capital account was a deficit of €68,999 million, 40.3% up on the same period in 2005 (see Table 4). During this ten-month period the current account deficit widened considerably (32%), rising to €72,524 million, while the surplus on capital transactions declined (-38.6%) to €3,525 million. Under current transactions, there was a generalised deterioration in the balances of the main items, proving especially acute in the case of the trade deficit, the surplus on services, the income deficit and, to a lesser extent, net current transfers.

The trade balance deficit increased by €10,893 million in the January-October period compared with the same period a year earlier, up to a figure of €66,918 million. In year-on-year terms, the deficit increased by 19.4%, prolonging the deterioration of the two previ-



The Social Security system posted a surplus of €15,361 million in the ten months to end-October 2006, €2,223 million up (16.9%) on the same period a year earlier, making for a more favourable outturn than to end-July (see accompanying table). The growth rate of revenue remained virtually unchanged, standing at 9.4% in October, while the growth rate of expenditure quickened slightly in recent months to 7.9%, which would account for the deterioration in the balance.

Revenue from Social Security contributions has been posting a growth rate of around 9% in recent months, including October, despite the slowdown observed in the number of Social Security registrations since Q3, once the effects of the immigrant regularisation process petered out.

Turning to expenditure, that earmarked for contributory pensions held at a growth rate of 7.8% to October, higher than budgeted for the year as a whole. The number of contributory pensions has begun to slow mildly in the closing months of the year, posting a growth rate of 2.3% to December compared with

2.6% in July. The hitherto high growth rate of expenditure on sickness benefits fell to a rate of 8.3% to October, far below the budgeted figure.

As regards the SPEE (State Employment Public Service), the information on which is not shown in the accompanying table, contributions received held at a growth rate of 9.9% to July, above budget. Rebates on contributions in respect of employment-promoting contracts, meanwhile, increased by 14.1% in the same period, also above the initial budget projection.

Expenditure on unemployment benefits rose by 7.5% to November (a growth rate higher than the 6.7% increase recorded in 2005 as a whole), and the number of beneficiaries grew by 2.9% in November (against 3.3% in 2005). This was due to the decline in registered unemployment, which fell by 1.7% in November (compared with the decline of 1.6% over the whole of 2005), and despite the acceleration in the eligibility rate, which stood at 63.3% to November 2006 (above the end-2005 level of 60.7%).

#### SOCIAL SECURITY SYSTEM (a)

##### Transfers to regional governments allocated (b)

##### Current and capital transactions, in terms of recognised entitlements and obligations

EUR m and %

	Outturn			Outturn			
	Outturn	Budget		JAN-JUL	Outturn JAN-OCT		
	2005	2006	% change	% change	2005	2006	% change
	1	2	3 = 2/1	4	5	6	7 = 6/5
1 REVENUE	95,476	97,547	2.2	9.5	78,571	85,992	9.4
1.1 Social security contributions (c)	89,110	90,625	1.7	9.0	73,352	80,017	9.1
1.2 Current transfers	4,896	5,295	8.2	9.3	4,057	4,403	8.5
Other (d)	1,470	1,628	10.7	58.1	1,162	1,572	35.3
2 EXPENDITURE	84,598	90,562	7.0	7.7	65,433	70,631	7.9
2.1 Wages and salaries	2,016	2,165	7.4	4.7	1,641	1,730	5.5
2.2 Goods and services	1,655	1,733	4.7	15.1	1,192	1,381	15.8
2.3 Current transfers	80,529	86,133	7.0	7.6	62,463	67,286	7.7
Benefits	80,527	86,131	7.0	7.6	62,463	67,285	7.7
Contributory pensions	68,905	73,832	7.2	7.8	53,343	57,511	7.8
Sickness	5,925	6,656	12.3	10.2	4,928	5,338	8.3
Other	5,697	5,644	-0.9	1.2	4,191	4,435	5.8
2.4 Other (e)	399	530	33.0	49.2	138	234	70.3
3 BALANCE	10,877	6,986	-35.8	21.0	13,138	15,361	16.9

SOURCES: Ministerio de Hacienda, Ministerio de Trabajo y Asuntos Sociales and Banco de España.

a. Only data relating to the system, not to the entire Social Security Funds sector, are given. This is because the figures for other Social Security funds are not available.

b. Transfers from the ISM to the regional governments to finance transferred health-care and social services have been distributed among the various expenditure captions on the basis of the percentages obtained from the general government accounts for 1997.

c. Including surcharges and fines.

d. Excluding surcharges and fines.

e. Reduced by the disposal of investments.

EUR m		JANUARY-OCTOBER	
		2005	2006
CREDITS	Current account	227,708	250,846
	Goods	127,996	142,122
	Services	64,239	68,945
	Tourism	34,084	34,201
	Other services	30,156	34,744
	Income	24,973	27,861
	Current transfers	10,499	11,919
	Capital account	6,473	4,792
	Current + capital accounts	234,181	255,638
DEBITS	Current account	282,636	323,370
	Goods	184,021	209,040
	Services	43,329	51,116
	Tourism	10,133	11,164
	Other services	33,196	39,952
	Income	39,905	45,705
	Current transfers	15,381	17,509
	Capital account	731	1,267
	Current + capital accounts	283,367	324,637
BALANCES	Current account	-54,928	-72,524
	Goods	-56,025	-66,918
	Services	20,911	17,829
	Tourism	23,951	23,037
	Other services	-3,040	-5,208
	Income	-14,932	-17,844
	Current transfers	-4,882	-5,590
	Capital account	5,742	3,525
	Current + capital accounts	-49,187	-68,999

SOURCE: Banco de España.

a. Provisional data.

ous years. Despite the pick-up in real export flows in this period, the rise in real imports and the strong increase in the energy bill – owing to the hike in oil prices recorded to August – prompted the unfavourable course of the trade deficit. Nonetheless, the rate of increase in the trade deficit has slackened since 2006 Q2 thanks to the more moderate growth of the deficit on the non-energy trade balance and to the fact that, owing to the fall in oil price prices from September, the rate of deterioration of the energy deficit began to lessen in Q3.

The services balance posted a surplus of €17,829 million in the first ten months of 2006, €3,082 million down on the figure recorded in the same period a year earlier. This deterioration was due both to the €914 million decline in the tourist surplus and to the €2,168 million increase in the deficit on the non-tourist services balance. Tourist revenue rose by scarcely 0.3% in the January-October period, in nominal terms, although it has shown some improvement following the highly negative performance in Q1. Tourist expenditure increased by 10.2% to October, although the strong rate of increase marking it in the two previous years has slowed from Q2. As a result of these revenue and expenditure developments, the tourist surplus declined by 3.8%.

The deficit on the income balance widened by 19.5% over the course of the first ten months of 2006 to a negative figure of €17,844 million. Revenue grew at a very high rate in this period (11.6%), with a notable rise in that relating to the financial sector, while expenditure posted an even bigger increase (14.5%), reflecting the dynamism of expenditure by the financial and non-financial private sector, while general government expenditure increased but moderately. Sector by sector, there was a slight improvement in the general government deficit, while the private-sector deficits, especially that of the non-financial sector, widened notably. In terms of instruments, the deficit on the portfolio investment and other investment (essentially loans, deposits and repos) income balances worsened, while the direct investment income balance improved.

In the ten months to October, the current transfers deficit totalled €5,590 million, €708 million up on the deficit recorded in the same period in 2005. Revenue increased by 13.5%, owing to the favourable course of flows from the EU under EAGGF-Guarantee (one of the main items), while Community transfers from the European Social Fund fell off. Expenditure, meanwhile, grew at a similar rate (13.8%), once again with a strong increase in emigrants' remittances (34.7%), and with a rise in expenditure earmarked for Community coffers under the GNP Resource, VAT resource and Traditional own resources.

Finally, the capital account surplus amounted to €3,525 million over the course of the first ten months of 2006, a decline of €2,216 million on the same period a year earlier. This deterioration was partly due to the decline in various structural funds, especially from the ERDF, although transfers from the EAGGF-Guarantee and from the Cohesion Fund also fell. Furthermore, expenditure increased most notably, especially in connection with disposals of intangible assets and capital transfers by the private sector.

## 5 Financial developments

### 5.1 Overview

In 2006 Q4, money market interest rates continued to rise, albeit at a slower rate than in the preceding quarters. In December, twelve-month EURIBOR reached an average level of 3.9%, up 20 bp from September. In line with these developments, the cost of bank loans to households and corporations continued to increase. Spanish long-term government bond values were, by contrast, more stable, the ten-year bond yield rising barely 6 bp during the same period to 3.8%. This, together with the fact that Spanish firms' credit default swap premia were unchanged, explains the absence of significant changes in firms' average price of financing through the issuance of long-term fixed-income securities.

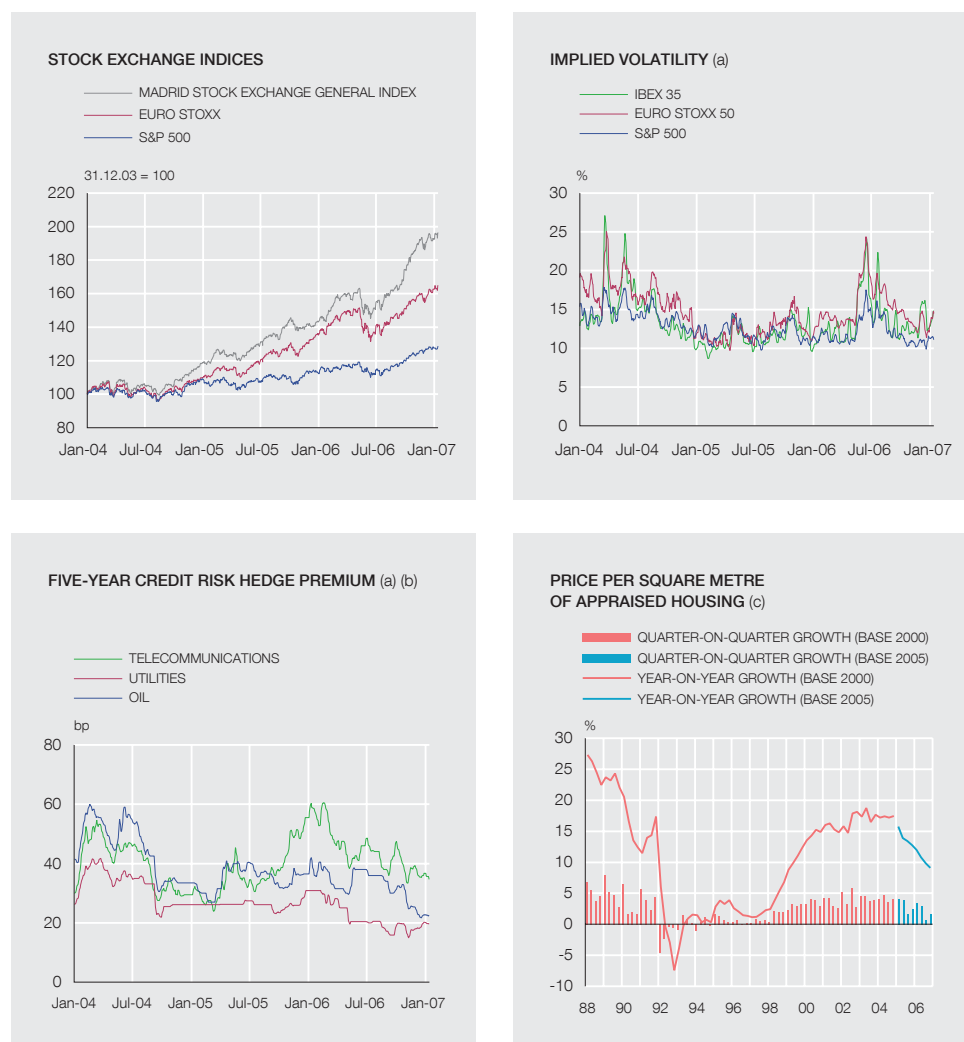
Spanish stock markets remained on an upward course in 2006 Q4, in step with the growth in corporate earnings and the favourable outlook for 2007. Also, indices continued to benefit from mergers and acquisitions activity. The Madrid stock exchange general index rose by 34.5% during 2006 as a whole, outperforming the main international markets (the EURO STOXX broad index rose by 20.2% during this period and the S&P 500 by 13.6%). Volatility, meanwhile, remained low (see Chart 24).

On the property market, according to the latest data published by the Ministry of Housing, the progressive trend slowdown observed since the beginning of last year continued in 2006 Q4. Accordingly, the year-on-year growth rate of the price of appraised unsubsidised housing stood at 9.1% in December, down 0.7 bp from September and 3.7 bp from December 2005. The likelihood of a smooth landing for property prices thus continues to strengthen.

Despite the rising interest rates, private-sector debt continued to grow rapidly in 2006 Q3. In the case of households, the year-on-year increase remained above 20%, barely 0.5 pp down from June. To reduce the probability of these liabilities reaching levels that may have a negative impact on the spending decisions of these agents, their growth needs to be reduced significantly, in line with the more acceptable behaviour of their explanatory variables (see Box 4). By component, the smooth slowdown in funds for house purchase continued, although their rate of change stood at around 22% in year-on-year terms (down somewhat more than 2 pp from end-2005). By contrast, the rate of growth of financing for consumption and other purposes increased again to over 17%. The provisional information on lending to households during 2006 Q4 shows that these same trends continued to prevail.

Meanwhile, the year-on-year growth rate of corporate debt increased again to 27%. The investment boom and the pick-up in mergers and acquisitions both contributed to this growth. According to the breakdown of bank loans by productive activity, in Q3 there was a notable increase in the buoyancy of funds raised by construction, the sector primarily responsible for the acquisition of shareholdings, which reached a high for recent years. These data also show that lending to property services companies continued to grow at a high rate, which was even above that in June. In other sectors, by contrast, although these liabilities accelerated somewhat, they grew more moderately. The provisional information available for 2006 Q4 suggests that the intense growth in the financing of corporations was sustained during that period.

The notable buoyancy of the funds raised by households and the rise in the cost of financing led to a further increase in the degree of financial pressure on households in Q3, a trend that, according to the provisional information available, continued during Q4. Thus, in 2006 Q3, the debt and debt burden ratios continued to rise, while net saving after debt service fell once



SOURCES: Bloomberg, Credit Trade, Datastream, Ministerio de la Vivienda and Banco de España.

- a. Five-day moving averages.  
b. Average asset-weighted premia.  
c. New statistic from 2005.

again. However, according to the Financial Accounts, the sector's net borrowing held steady relative to GDP (see Table 5). In any event, the financial position of households continued to be bolstered by the increase in their net wealth, although the slowdown in house prices is tending to moderate its rate of growth.

In the case of non-financial corporations, the aggregate debt and debt burden ratios also continued to rise in 2006 Q3 and, in the light of the provisional information available, appeared to do so during Q4 too, while the return on equity was not significantly different from its June level. Meanwhile, according to the Financial Accounts, the sector's net borrowing rose again in Q3. The information for the same period from the companies reporting to the quarterly survey of the Central Balance Sheet Data Office (CBQ), among which larger companies have a particularly high weight, offers a more benign view. Thus, although interest payments again increased for these companies relative to profits, this development was offset by a slight reduction in their borrowing relative to their profits and by their favourable results, so that synthetic indicators of financial pressure displayed a modest improvement.

Over the last 10 years the financing raised by households has been expanding at a high rate (of close to 17% per annum on average), well above that of their income. It is important to understand what factors explain these developments, since the empirical evidence indicates that when debt is above the level implied by its fundamental determinants, the sector's spending may eventually be adversely affected<sup>1</sup>.

The statistical analyses carried out by the Banco de España show that the behaviour of household credit may be explained by changes in variables such as wealth, spending on consumption and residential investment, financing conditions (loan interest rates and maturities) and the rate of unemployment<sup>2</sup>. As the left-hand chart shows, the liabilities of Spanish households have grown in the last few years in parallel with their estimated long-term equilibrium path to stand, at end-2006, slightly above such path.

As the right-hand chart shows, in general, all the explanatory variables have, since 1996, moved in the direction of favouring greater buoyancy, although the relative importance of each has varied. The increase in household wealth, basically as a consequence of the rise

in house prices, has made a very significant and increasing contribution to the rise in debt, reflecting property's important role as loan collateral.

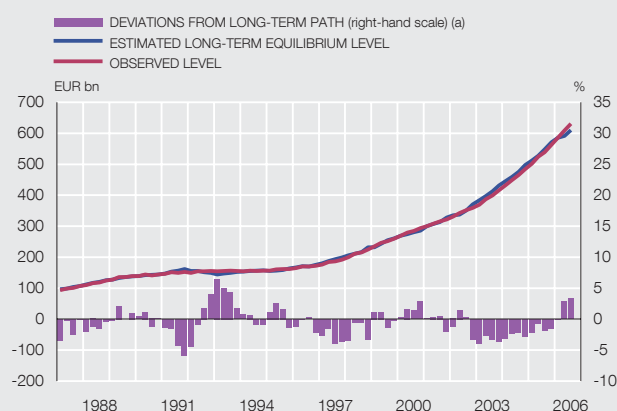
The buoyancy of the sector's spending has also contributed to the growth in credit, as have the more favourable financing conditions in the form of lower loan interest rates and longer loan maturities during most of the period analysed, although the expansionary effect of this latter factor has been reduced recently, especially following the change in the stance of monetary policy from end-2005. Finally, another factor that has also had a positive impact on the growth of household liabilities is the decline in the unemployment rate, which has increased the proportion of the population with access to the loan market.

These results suggest that the current level of debt should not be having a significant contractionary effect on household spending decisions. However, this does not mean that this sector is not more exposed to adverse shocks to its wealth, its income and interest rates, especially if the predominance of variable rate loans is taken into account.

Over the coming quarters, the long-term equilibrium level of credit will foreseeably tend to decelerate, in line with the most likely behaviour of its explanatory variables. Accordingly, the rate of growth of household liabilities will have to moderate considerably if they are not to end up reaching levels that may have a contractionary effect on the buoyancy of consumption and residential investment.

1. For further details on the effects that an excessive level of debt may have on spending, see Martínez-Carrascal and del Río (2004), *Households borrowing and consumption in Spain: a VECM approach*, Working Paper No. 0421, Banco de España. 2. The analysis of this box is based on the results of the updated and revised credit equation presented in Nieto (2003), «Determinantes del crecimiento del crédito a los hogares en España», *Boletín Económico*, April, Banco de España.

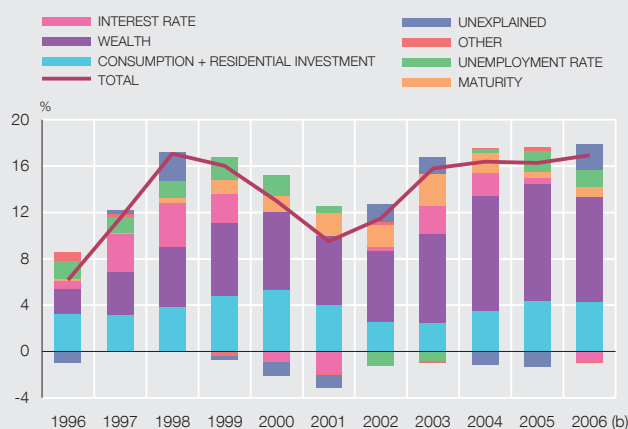
HOUSEHOLD CREDIT: OBSERVED LEVEL, LONG-TERM PATH AND DEVIATIONS



SOURCE: Banco de España.

a. Standardised to obtain an average of zero over the sample period.  
b. Data to 2006 Q3.

CONTRIBUTIONS TO THE ANNUAL GROWTH IN HOUSEHOLD CREDIT IN REAL TERMS



% GDP (a)									
	2001	2002	2003	2004	2005		2006		
					Q3	Q4	Q1	Q2	Q3
National economy	-3.5	-2.7	-2.9	-4.8	-6.1	-6.5	-7.1	-7.5	-7.9
Non-financial corporations and households and NPISHs	-4.2	-3.5	-3.9	-5.3	-7.4	-8.4	-9.5	-10.4	-11.1
<i>Non-financial corporations</i>	-5.2	-4.2	-4.1	-4.6	-6.3	-7.0	-7.8	-8.5	-9.1
<i>Households and NPISHs</i>	1.1	0.7	0.1	-0.6	-1.1	-1.3	-1.7	-1.9	-1.9
Financial institutions	1.2	1.2	1.0	0.6	0.4	0.7	0.6	0.7	0.8
General government	-0.5	-0.3	0.0	-0.2	0.8	1.1	1.8	2.2	2.3
MEMORANDUM ITEM:									
Financing gap (b)	-9.9	-8.6	-8.3	-8.9	-11.0	-11.2	-14.1	-14.8	-15.5

SOURCE: Banco de España.

a. CNE base 2000.

b. Financial resources that cover the gap between expanded gross capital formation (real investment and permanent foreign financial investment) and gross saving.

The continued decline in the financial saving of corporations led to a further increase in the nation's net borrowing, to 7.9% of GDP in cumulative twelve-month terms in September 2006, as against 7.5% in the previous quarter. The funds raised from the rest of the world continued to be channelled mainly through financial institutions, in particular those that are not credit institutions.

In short, although the financial position of households and companies remained solid, rising debt and interest rates continued to increase the degree of financial pressure to which they are subject and their exposure to adverse economic shocks. Moreover, in the case of companies, although the recent acquisitions of shareholdings by certain firms (especially in the construction industry) in other productive sectors, diversifies their businesses, it also introduces an element of uncertainty associated with entry into new areas of activity and the resulting increase in borrowing. Accordingly, in the light of the new information available, the risks of a financial nature to the medium-term macroeconomic outlook, mentioned in previous reports, have not been reduced in recent months.

## 5.2 Households

In 2006 Q4, financing conditions for households continued to tighten. During October and November, the average interest rate applied by institutions to new lending business rose by 12 bp. By type of lending, the cost of funds for house purchase increased by 19 bp, while the cost of those for consumption and other purposes, which tends to be more variable, fell by 10 bp. Following these movements, the total change since November 2005 was 140 bp and 120 bp, respectively. As regards credit standards, according to the bank lending survey (BLS), financial institutions forecast a further modest relaxation in those for consumption in Q4, without any change in those applied to debt for house purchase.

Despite the upward trend in the cost of financing, the year-on-year rate of growth of household debt declined only modestly, and was still over 20% in September, barely 0.5 bp below its end-Q2 level. With regard to the breakdown by component, the pattern remained the same as it had been since the beginning of the year. Thus, the rate of growth of funds for consumption and other purposes rose to more than 17%, while the mild slowdown in loans for house purchase continued, although their year-on-year growth remained close to 22%. The provisional information available for Q4 points to continuation of this same pattern.

**TRANSACTIONS OF HOUSEHOLDS, NPISHs AND NON-FINANCIAL CORPORATIONS**  
**Four-quarter data**

TABLE 6

% GDP						
	2003	2004	2005	2006		
				Q1	Q2	Q3
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	9.0	9.6	10.6	10.3	10.4	10.5
Cash and cash equivalents	4.1	4.0	4.4	3.8	3.6	3.4
Other deposits and fixed-income securities (a)	-0.3	1.2	1.9	3.2	3.5	4.6
Shares and other equity (b)	0.6	0.5	0.0	-0.3	-0.3	-0.4
Mutual funds	2.3	1.5	1.9	1.8	1.6	0.8
Insurance technical reserves	1.8	1.8	1.9	1.7	1.5	1.5
Of which:						
Life assurance	0.7	0.7	0.8	0.8	0.7	0.6
Retirement	0.9	0.8	0.9	0.8	0.7	0.7
Other	0.5	0.7	0.5	0.1	0.4	0.5
Financial transactions (liabilities)	8.8	10.3	11.9	12.0	12.3	12.4
Credit from resident financial institutions (c)	9.2	10.8	12.3	12.9	13.2	13.2
House purchase credit (c)	7.0	8.7	10.3	10.5	10.5	10.2
Consumer and other credit (c)	2.2	2.1	2.2	2.4	2.8	3.0
Other	-0.4	-0.6	-0.4	-0.9	-1.0	-0.8
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	15.9	15.6	18.8	20.1	19.3	22.2
Cash and cash equivalents	0.9	1.0	2.1	2.1	2.0	2.4
Other deposits and fixed-income securities (a)	1.2	0.3	1.3	1.6	1.0	2.5
Shares and other equity	7.4	6.4	6.8	8.9	9.1	9.3
Of which:						
Vis-à-vis the rest of the world	4.5	3.8	3.8	6.1	5.7	6.0
Other	6.4	7.9	8.6	7.5	7.2	8.0
Financial transactions (liabilities)	20.0	20.2	25.8	27.9	27.8	31.3
Credit from resident financial institutions (c)	6.1	8.3	13.0	13.5	14.4	16.6
Foreign loans	2.7	0.7	2.0	3.7	3.0	3.2
Fixed-income securities (d)	-0.2	0.0	0.3	0.9	1.3	1.6
Shares and other equity	5.1	4.6	3.2	3.2	3.2	3.3
Other	6.2	6.6	7.4	6.6	5.9	6.7
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	15.9	16.3	21.0	23.0	22.7	24.0
Households and NPISHs	19.1	20.2	20.9	21.3	21.0	20.5
Non-financial corporations	13.5	13.2	21.1	24.4	24.0	26.9

SOURCE: Banco de España.

a. Not including unpaid accrued interest, which is included under "other".

b. Excluding mutual funds.

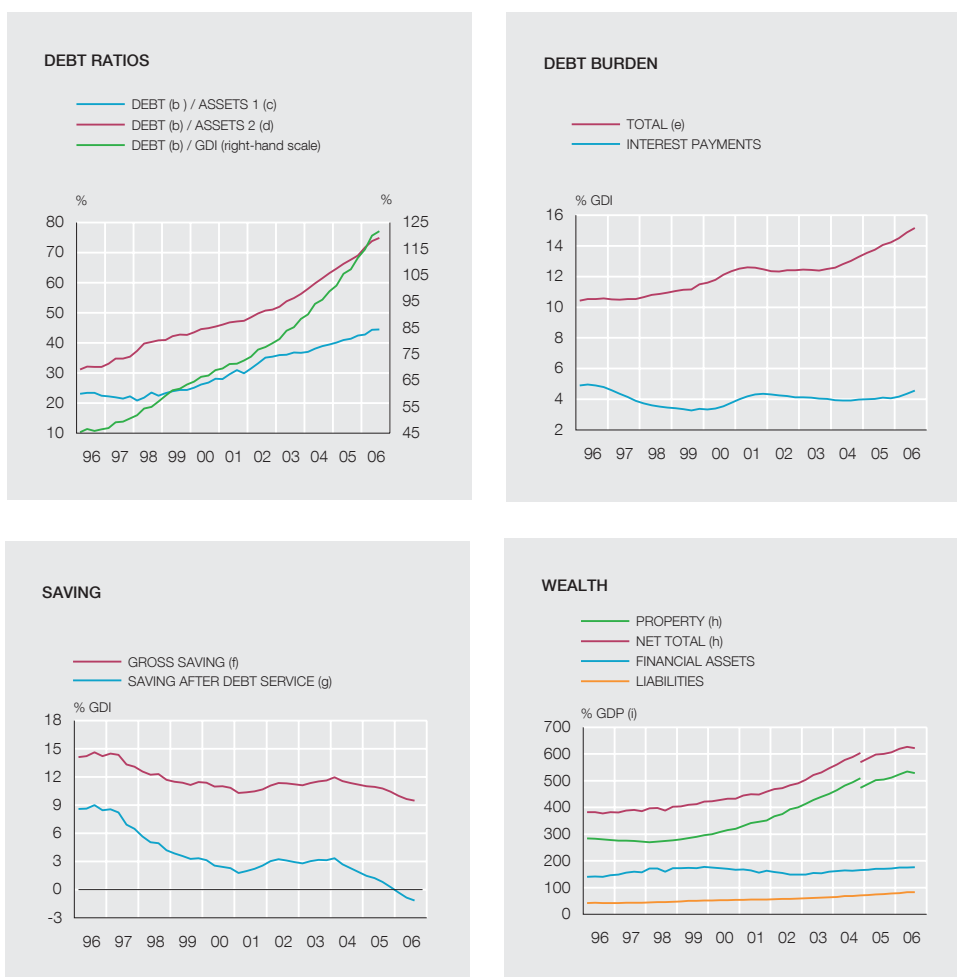
c. Including derecognised securitised loans.

d. Includes the issues of resident financial subsidiaries.

e. Defined as the sum of bank credit extended by resident credit institutions, foreign loans, fixed-income securities and financing through securitisation special purpose entities.

In September, investment in financial assets was equivalent to 10.5% of GDP in cumulative four-quarter terms, scarcely 0.1 bp higher than in June (see Table 6). By instrument, the lower risk ones (cash and deposits) were the main component of financial investment. Among these, cash and cash equivalents continued to decelerate slightly, while time deposits, included under the heading other deposits and fixed-income securities, grew notably, in parallel with a sharp contraction in mutual fund shares, to just 0.8% of GDP, in cumulative twelve-month terms. Households' lower preference for mutual fund shares than for other deposits and fixed-income securities may have been at least partly attributable to changes in the taxation of savings that have come into force in 2007. For their part, net equity purchases were again nega-





Source: Banco de España.

- a. From 1999, the sectoral National Accounts data correspond to the CNE base 2000. For prior periods, an estimate consistent with this base is used.
- b. Includes bank credit and securitisation.
- c. Assets 1 = total financial assets – “other”.
- d. Assets 2 = assets 1 – shares (excluding mutual fund shares) – shares in FIM.
- e. Estimated interest payments plus debt repayments.
- f. Balance of households’ use of disposable income account.
- g. Gross saving less estimated debt repayments.
- h. Calculated on the basis of the estimated changes in the stock of housing, in the average area per house and in the price per square metre. There is a new house price statistic for 2005.
- i. CNE base 2000.

tive (–0.4% of GDP), while flows in the form of insurance technical reserves were at the same level as in the previous quarter (1.5% of GDP).

The continuation of the strong growth in financing obtained by households led to a further increase in the ratio of debt to gross disposable income (GDI), which was already over 120% in September (see Chart 25). This development, along with the rise in the cost of credit, explains why the associated debt burden continued to increase, to reach more than 15% of GDI in September. Also, both gross saving and saving after debt service declined further. However, according to the Financial Accounts, household net borrowing held steady at around 1.9% of GDP in cumulative twelve-month terms. As in previous quarters, the rise in the value of financial and real assets meant that the sector’s net wealth continued to increase, albeit at declining rates, thus alleviating the higher degree of financial pressure arising from the trend in the aforementioned indicators.

### 5.3 Non-financial corporations

In the case of corporations, the cost of bank financing also continued to rise during 2006 Q4. The interest rate on loans of up to €1 million rose in October and November by 24 bp, a similar increase to that recorded in the case of larger loans (25 bp), making a total increase since November 2005 of around 120 bp and 110 bp, respectively. According to the BLS, institutions did not foresee any significant changes in credit standards between October and December. In contrast, the cost of long-term debt issuance hardly changed, owing to the stability of the yield on public debt and credit default swap premia, while the terms for obtaining funds on equity markets improved, as a consequence of the upward path of share prices.

Despite the upward trend in the cost of bank debt, the volume of external funds received by corporations accelerated in 2006 Q3, to reach a year-on-year rate of close to 27% at the end of the quarter, up almost 3 pp from June. The breakdown by instrument shows that credit from resident institutions continued to contribute most to the increase in these funds, although the issuance of fixed income securities, which still have a low weight in company liabilities, was highly buoyant. Meanwhile, foreign loans picked up slightly, so that the funds raised through this channel represented 3.2% of GDP in September, in cumulative twelve-month terms (see Table 6).

The breakdown of credit by purpose shows that the most buoyant sectors were again property services and construction, the loans to these companies growing in September by 49% and 35%, respectively, relative to the same month of 2005, both these rates being higher than in June (by 2.5 pp and 5.5 pp, respectively). In the latter case, this growth was partly a consequence of the financing of certain transactions to acquire shareholdings. In other productive activities the changes were more moderate, the most notable being the increase, for the second consecutive quarter, in the rate of growth of funds raised by other services branches, and the pick-up in the growth of those to industry, following the declines recorded since late 2005. Finally, according to CBQ data, the debt of large groups decelerated slightly during the same period, although the year-on-year rate remained around 25%.

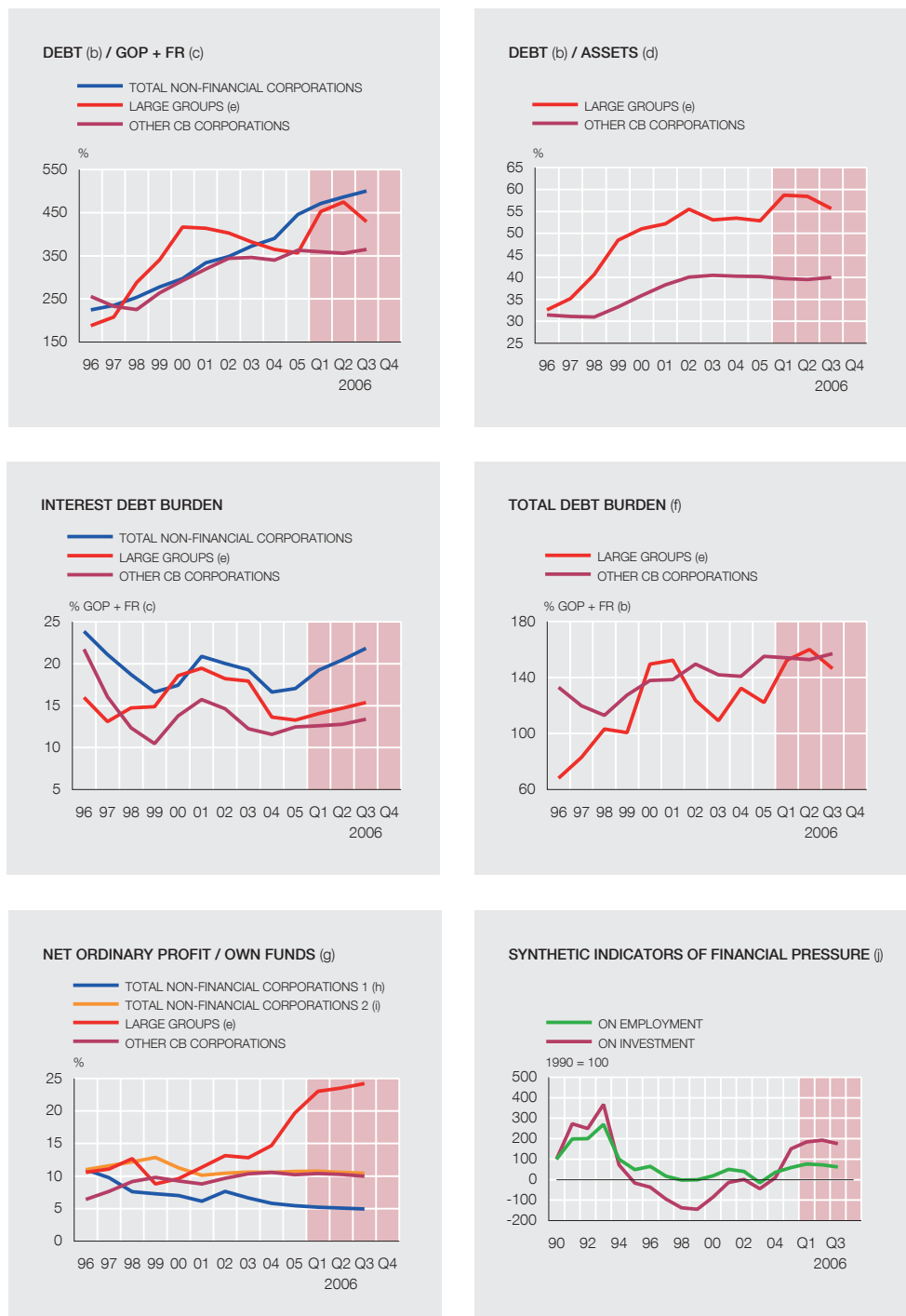
In contrast to the buoyancy of external financing, corporations did not significantly increase their issuance of shares and other equity, which in September represented 3.3% of GDP in cumulative twelve-month terms, barely 0.1 pp more than in June.

Unlike in the preceding quarter, the volume of company assets-side transactions picked up notably to reach 22.2% of GDP in September, in cumulative twelve-month terms, almost 3 pp more than in June. By instrument, the most notable development was the growth in flows in the form of liquid assets and fixed-income securities, to 4.9% of GDP (from 3% in June).

Despite the increase in asset flows, the notable buoyancy of the liability ones led to a further increase in the net borrowing of corporations in Q3, to 9.1% of GDP in cumulative twelve-month terms. Meanwhile, the financing gap, which approximates the funds needed to undertake real investment and permanent foreign financial investment, increased by a similar amount, to 15.5% of GDP (see Table 5).

The strong growth in the funds raised by corporations led to a further increase in the sector's debt-to-profit ratio (see Chart 26). This, along with the increase in the cost of funds, explains the upward path in the ratio of interest payments to profits, which stood at close to 22% in September. The increase in financial expenses was, however, offset by the rise in income, so that the return on capital held unchanged.

The information on companies reporting to the CBQ, among which large corporations predominate, also shows an increase in the debt burden in Q3. However, this development was



SOURCE: Banco de España.

a. Based on CBSO annual and quarterly survey data, except in the case of the "total non-financial corporations" series, which is based on the National Accounts (CNE and FASE). From 1999, the income of the sector corresponds to the CNE base 2000. For prior periods, an estimate consistent with this base is used.

b. Interest-bearing borrowed funds.

c. Gross operating profit plus financial revenue.

d. Defined as total inflation-adjusted assets less non-interest-bearing liabilities.

e. Aggregate of all corporations reporting to the CBSO that belong to the Endesa, Iberdrola, Repsol and Telefónica groups. Adjusted for intra-group financing to avoid double counting.

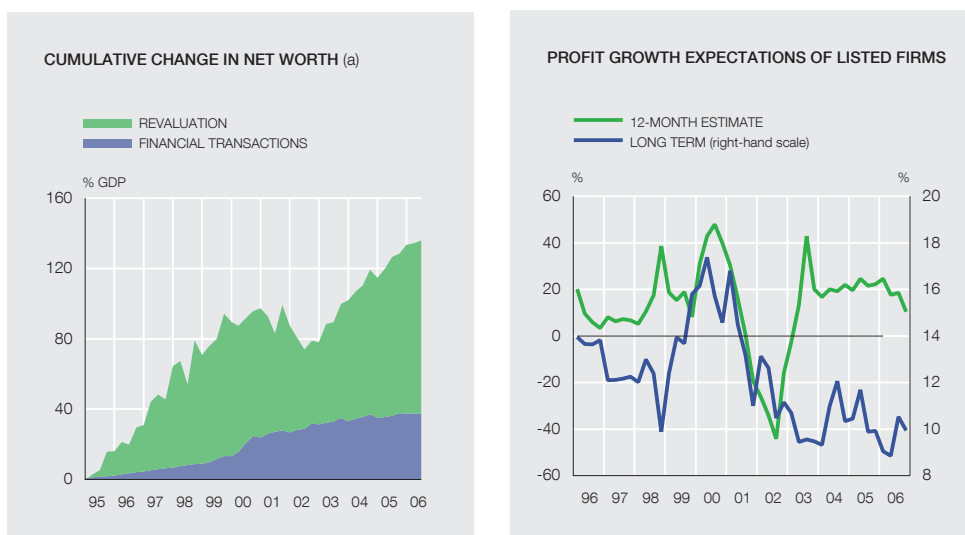
f. Includes interest plus interest-bearing short-term debt.

g. For total non-financial corporations, NOP=GOS + interest and dividends received - interest paid - fixed capital consumption.

h. Own funds valued at market prices.

i. Own funds calculated by accumulating flows from the 1996 stock onwards.

j. Indicators estimated drawing on the CBA and CBQ surveys. A value above (below) 100 denotes more (less) financial pressure than in the base year.



SOURCES: I/B/E/S and Banco de España.

a. Net worth proxied by the valuation at market price of shares and other equity issued by non-financial corporations.

offset by a contraction in the debt ratio, basically as a result of the behaviour of large groups, and by the favourable performance of earnings, so that the synthetic indicators of financial pressure on investment and employment fell slightly during this period.

Finally, analysts expectations regarding the growth of the profits of quoted non-financial firms, among which larger ones also predominate, were revised downwards in Q4 both at the longer and, especially, at the shortest horizons. However, expected earnings growth at both horizons remains at significant levels, of around 10% (see Chart 27).

#### 5.4 General government

In 2006 Q3, general government net lending continued to grow, albeit moderately, to stand, in cumulative twelve-month terms, at 2.3% of GDP (see Chart 28). By instrument, general government increased its net issuance of long-term securities, while continuing to make net redemptions of short-term securities. Also, there was an increase in deposits and a decline in loans, which led to significant growth (1.8% of GDP) in the heading that reflects the net balance of these two items. At the same time, despite the increase in the cost of funds, interest payments continued to fall relative to GDP, thanks to the decline in the debt ratio, to stand at around 1.7%.

#### 5.5 The rest of the world

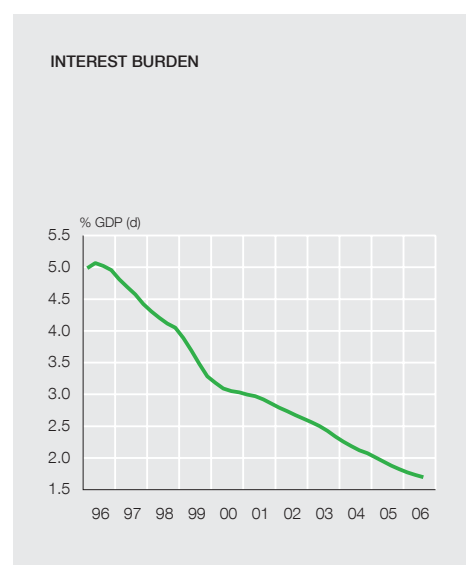
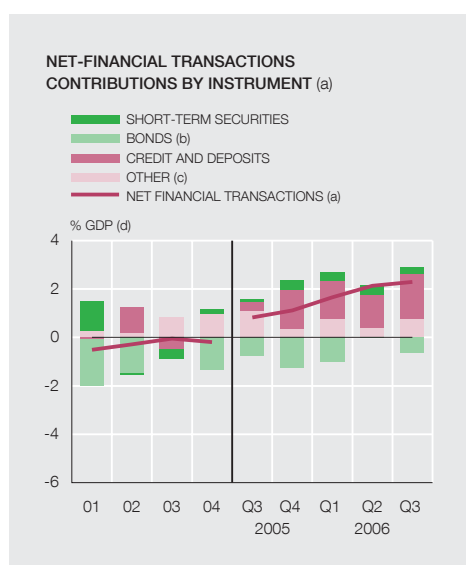
Between July and September 2006, the net debit balance of the nation's financial transactions expanded again to represent, in cumulative four-quarter terms, 7.9% of GDP. This was a result of the greater need for funds on the part of corporations, which was not fully offset by the slight increase in the net lending of financial institutions and general government.

Non-monetary financial intermediaries continued to contribute more than any other subsector to the financing of the external deficit. In September, the debit balance of their net transactions with respect to non-residents represented, in cumulative twelve-month terms, 11.7% of GDP, up 0.3 pp from June (see Chart 29).

Investment in foreign assets by resident sectors was 18.2% of GDP in September 2006, in cumulative twelve-month terms, down 1.4 pp from June (see Table 7). By instrument, the pat-

**GENERAL GOVERNMENT**  
Four-quarter data

CHART 28

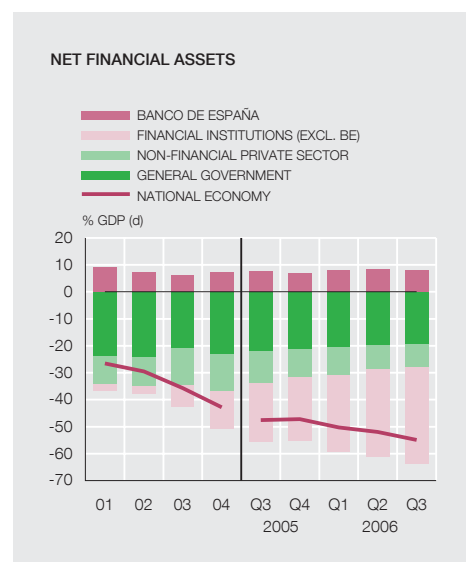
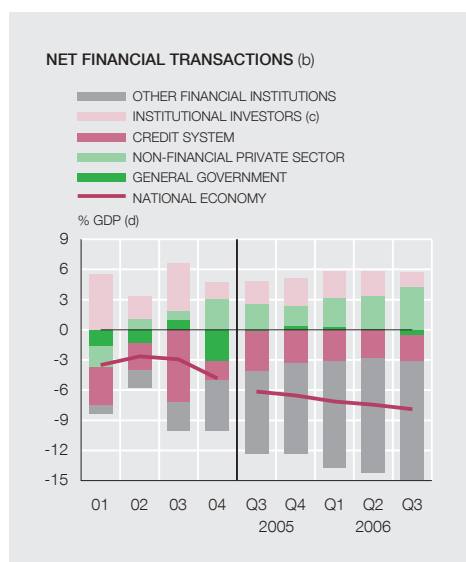


SOURCE: Banco de España.

- a. A positive (negative) sign denotes an increase (decrease) in assets or a decrease (increase) in liabilities.  
b. Includes only liabilities transactions.  
c. Unpaid accrued interest on bonds and net investment of Social Security funds in assets issued by the rest of general government.  
d. CNE base 2000.

**NET FINANCIAL TRANSACTIONS AND NET FINANCIAL ASSETS VIS-À-VIS THE  
REST OF THE WORLD (a)**

CHART 29



SOURCE: Banco de España.

- a. Four-quarter data for transactions. End-period data for stocks. Unsectorised assets and liabilities not included.  
b. A negative (positive) sign denotes that the rest of the world grants (receives) financing to (from) the counterpart sector.  
c. Insurance companies and portfolio investment institutions.  
d. CNE, base 2000.

**FINANCIAL TRANSACTIONS OF THE NATION**  
**Four-quarter data**

TABLE 7

% GDP						
	2003	2004	2005	2006		
				Q1	Q2	Q3
NET FINANCIAL TRANSACTIONS	-2.9	-4.8	-6.5	-7.1	-7.5	-7.9
FINANCIAL TRANSACTIONS (ASSETS)	13.5	13.7	18.2	23.0	19.6	18.2
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	0.7	3.2	2.4	3.3	4.3	4.8
<i>Of which:</i>						
<i>Interbank (a)</i>	0.5	0.7	3.2	2.3	2.6	3.5
Securities other than shares	6.5	1.8	8.7	8.5	3.4	0.8
<i>Of which:</i>						
<i>Credit institutions</i>	3.5	1.0	6.6	6.2	1.9	-0.2
<i>Institutional investors (b)</i>	3.5	0.3	2.1	2.0	1.5	0.8
Shares and other equity	4.7	6.8	4.9	8.1	8.6	8.7
<i>Of which:</i>						
<i>Non-financial corporations</i>	4.5	3.8	3.8	6.1	5.7	6.0
<i>Institutional investors (b)</i>	1.1	0.8	0.8	1.6	1.7	1.6
Loans	0.3	0.8	1.1	1.8	2.0	2.2
FINANCIAL TRANSACTIONS (LIABILITIES)	16.4	18.5	24.7	30.1	27.1	26.1
Deposits	6.9	1.7	5.7	6.2	2.6	0.8
<i>Of which:</i>						
<i>Interbank (a)</i>	5.3	5.0	7.2	7.5	2.8	1.3
Securities other than shares	5.3	12.4	15.6	18.9	19.7	21.4
<i>Of which:</i>						
<i>General government</i>	-1.0	2.7	0.1	1.0	0.8	1.6
<i>Credit institutions</i>	3.5	4.6	6.3	7.1	7.5	8.1
<i>Other non-monetary financial institutions</i>	2.8	5.1	9.3	10.8	11.4	11.7
Shares and other equity	1.1	2.7	0.8	0.9	1.2	0.0
<i>Of which:</i>						
<i>Non-financial corporations</i>	1.3	1.7	1.0	0.8	1.0	0.1
Loans	2.8	1.3	2.0	3.6	3.1	3.3
Other, net (c)	-0.8	-0.6	-0.6	-0.8	-0.9	-1.2
MEMORANDUM ITEMS						
Spanish direct investment abroad	3.3	5.8	3.4	5.5	5.9	6.3
Foreign direct investment in Spain	2.9	2.4	2.0	1.8	1.9	1.9

SOURCE: Banco de España.

a. Correspond only to credit institutions and include repos.

b. Insurance corporations and portfolio investment institutions.

c. Includes, in addition to other items, the assets-side caption reflecting insurance technical reserves and the net flow of trade credit.

terns were the same as in the previous quarter. The most notable development was the decline in net purchases of fixed-income securities (in particular, in those made by credit institutions) and the main destination of the flows to the rest of the world continued to be the acquisition of shares and other equity (primarily in the form of direct investment).

Net capital inflows also fell slightly in Q3, to 26.1% of GDP in cumulative twelve-month terms, down 1 pp from the volume recorded in June. In line with the pattern observed during the year, the funds raised through securities other than shares continued to increase in importance, to the point that they exceeded 21% of GDP. Thus, the issuance of these instruments, especially by financial institutions, continued to play a crucial role in the financing of the external

deficit. Conversely, the flows in the form of interbank deposits fell in net terms, so that for the first time since 2001, they recorded a credit balance. The funds channelled through variable income assets also fell, to reach zero.

In 2006 Q3, the inflows of direct investment held steady, with respect to June, at around 1.9% of GDP in cumulative twelve-month terms, while outflows continued to grow and, in the same period, represented 6.3% of GDP, up 0.4 pp from the preceding quarter and almost 3 pp from December 2005.

As a result of the behaviour of the financial flows to and from the rest of the world and the changes in asset prices and the exchange rate, the debit position of the economy continued to grow, to stand in September 2006 at close to 55% of GDP (see Chart 29). By sector, the slight improvements in the net financial position of general government and the non-financial private sector were not sufficient to cancel out the notable increase in the debit balance of financial institutions (excluding the Banco de España), to almost 36% of GDP, more than 3 pp higher than in June.

26.1.2007.

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2005 AND IN THE FIRST THREE  
QUARTERS OF 2006



## Overview

Following the practice of previous years, the January *Economic Bulletin* of the Banco de España gives the results for 2005 of the corporations contributing to the Central Balance Sheet Data Office Annual Survey (CBA) and those for the first three quarters of 2006 of the corporations contributing to the Central Balance Sheet Data Office Quarterly Survey (CBQ). The latter can be considered a preliminary indicator of the 2006 results, which will be completed in April 2007 with the publication of the CBQ results for the four quarters of the year and, finally, in January 2008, with the release of the CBA results for 2006.

Table 1 and Chart 1 show that the CBA results for 2005 are consistent with those released earlier by the CBQ, which suggested that during that year the rates of change of the reporting corporations were positive but lower than those of the previous year (GVA increased by around 4% in 2005, against 7.5% in 2004). This is not entirely consistent with the annual and quarterly Spanish National Accounts, according to which the estimated GVA of non-financial corporations grew by 6% in 2005. This disparity highlights the limitations of the CBSO samples in capturing the performance of the economy as a whole when, as in 2005, circumstances negatively affect the growth of the companies overrepresented in these samples. Despite this, the CBSO databases continue to show that they are valid for analysing the results of Spanish corporations, with a special focus on their financial revenue and costs, their profitability and their extraordinary results, which influence the amount of dividends distributed, and, furthermore, continue to demonstrate that they are suitable for studying the course of the debt and debt burden borne by Spanish corporations. Among these circumstances coinciding with the 2005 data was the negative effect of the continual oil price rises on corporations using oil as an input (basically transport<sup>2</sup> and industrial firms, both well represented in the CBSO samples), despite the fact that the refining GVA continued to grow rapidly, although 20 pp below the 2004 rate. Also, it should be kept in mind that the activities which, according to other sources, were the most buoyant in 2005 (construction and other services) are not well represented in the CBSO samples. As indicated in Box 2, the database kept by the CBSO with information on accounts reported to mercantile registers (CBB) contains evidence of the buoyancy of construction and of other services, the GVA of which, on CBB data, grew by nearly 7% in 2005 with respect to 2004.

Meanwhile, the highly positive behaviour seen in the CBQ in the first three quarters of 2006 points to growth in activity consistent with that shown by alternative indicators and reflected in GVA growth of 6.9%. This trend was apparent in all the sectors analysed. The most notable developments were the increases posted by wholesale and retail trading firms and by transport and communications firms, buoyed by the vigour of private consumption. To this was added the positive performance of industrial corporations since early 2006, which concords with the behaviour of capital goods investment reflected by other sources and with the re-

1. The information for 2005 used to compile this article is a summary of that included in the publication *Banco de España. Resultados anuales de las empresas no financieras 2005*, released by the Banco de España on 29 November 2006. The data used for this publication were provided by the 6,671 corporations that contributed to the Central Balance Sheet Data Office annual survey (CBA) to end-October 2006. The accounts of the first three quarters of 2006 were prepared from the information reported to the quarterly survey (CBQ) by the 737 corporations which, on average, had sent their data by mid-November 2006. The CBA sample represents 25.2% of total activity of the non-financial corporations sector, while the coverage of the CBQ sample is around 13.1%. 2. These were also affected by the restructuring of rail transport under Law 39/2003, which, inter alia, resulted in higher maintenance and operating costs for the restructured corporations in 2005.

**PROFIT AND LOSS ACCOUNT. YEAR-ON-YEAR CHANGES AND PROFIT RATIOS**  
**Growth rates of the same corporations on the same period a year earlier**

TABLE 1

	CBA STRUCTURE	CBA		CBQ (a)		
	2005	2004	2005	05 Q1-Q4/ 04 Q1-Q4	05 Q1-Q3/ 04 Q1-Q3	06 Q1-Q3/ 05 Q1-Q3
DATABASES						
Number of corporations		8.923	6.671	794	805	737
Total national coverage		31.8%	25.2%	14.3%	14.8%	13.1%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT (including subsidies)	100.0	8.3	10.8	12.8	12.4	12.5
Of which:						
— Net amount of turnover and other operating income	137.1	8.8	12.1	16.1	15.7	12.1
2. INPUTS (including taxes)	68.9	8.8	14.2	17.9	17.6	15.4
Of which:						
— Net purchases	41.6	12.1	16.6	20.5	21.1	15.1
— Other operating costs	27.3	4.8	12.0	12.6	11.0	8.3
S.1. GROSS VALUE ADDED AT FACTOR COST [1 – 2]	31.1	7.5	3.9	3.7	3.4	6.9
3. Personnel costs	15.7	4.7	5.3	3.8	3.7	4.9
S.2. GROSS OPERATING PROFIT [S.1 – 3]	15.4	10.7	2.6	3.6	3.3	8.4
4. Financial revenue	3.5	14.4	26.6	35.0	29.5	7.0
5. Financial costs	2.7	-3.6	9.5	5.0	5.0	29.1
6. Depreciation and operating provisions	6.1	2.4	-0.1	-0.1	-0.9	2.3
S.3. ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	10.2	23.1	9.8	14.7	12.4	6.1
7. Capital gains and extraordinary revenue	4.6	-31.8	33.2	31.8	84.6	81.1
8. Capital losses and extraordinary expenses	4.0	-2.7	30.9	72.9	86.4	-7.2
9. Other (provisions and taxes)	3.2	-16.6	-9.4	-23.6	-19.6	92.8
S.4. NET PROFIT [S.3 + 7 – 8 – 9]	7.6	19.0	23.2	27.7	25.9	19.4
NET PROFIT/GVA (S.4/S.1)		19.8	24.4	29.4	29.1	32.8
PROFIT RATIOS	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1)/NA	8.2	8.7	8.9	7.8	8.9
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1/IBB	3.6	3.7	3.7	3.7	3.8
R.3 Ordinary return on equity (before taxes)	S.3/E	11.9	12.7	13.4	11.4	14.1
R.4 ROI - cost of debt (R.1 – R.2)	R.1 – R.2	4.6	5.0	5.2	4.1	5.1

SOURCE: Banco de España.

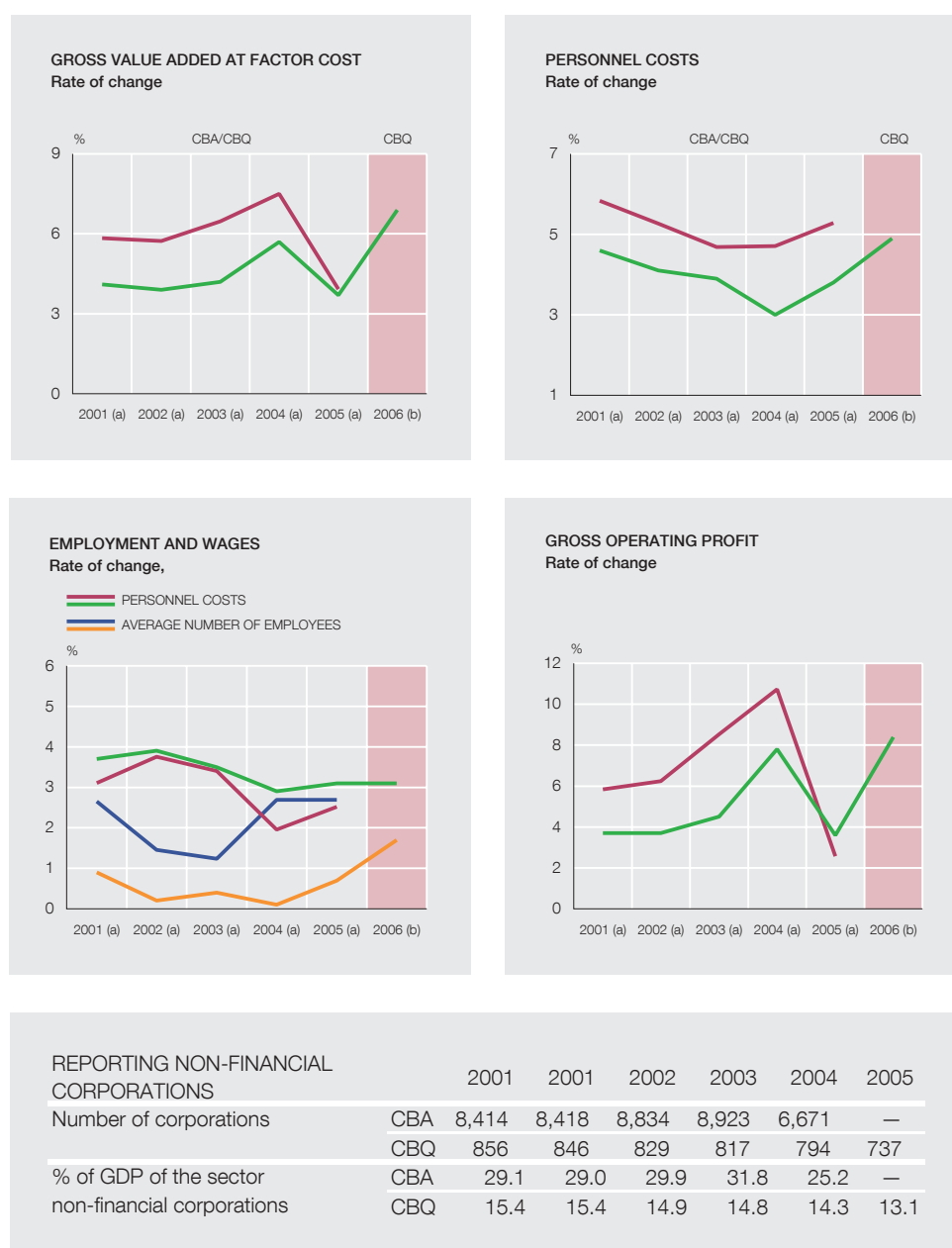
a. All the data in these columns have been calculated as the weighted average of the quarterly data.

b. The variables in the formulas are expressed as absolute values. NA = net assets (net of non-interest-bearing borrowing); E = equity; IBB = interest-bearing borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include that portion of financial costs which is interest on borrowed funds (5.1) and not commissions or cash discounts (5.2).

Note: In calculating rates, internal accounting movements have been edited out of items 4,5 and 9.

bound of external activity, largely as a consequence of the recovery of the main economies in the euro area.

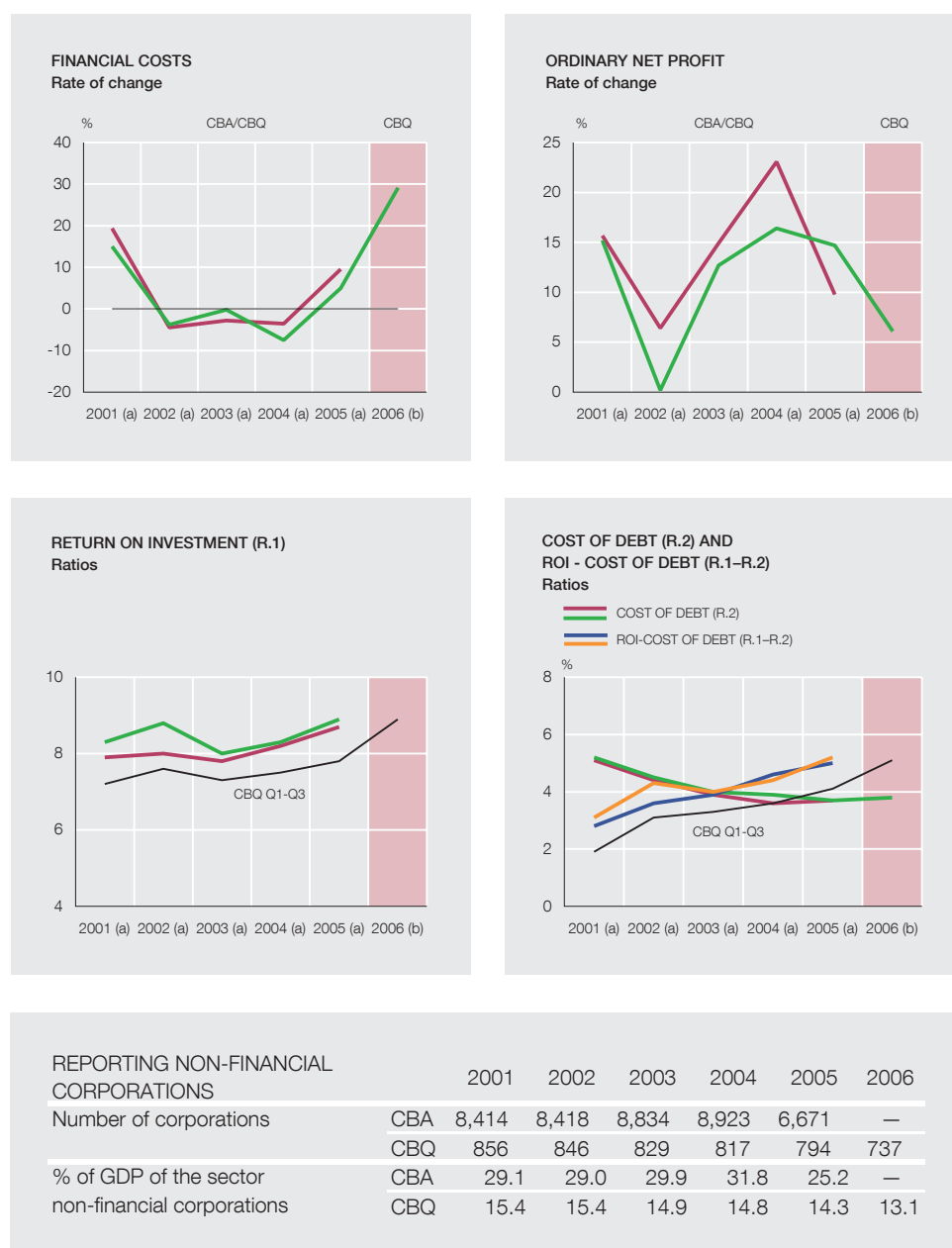
Employment performed positively both in 2005 and in the first three quarters of 2006. Thus the CBA data for 2005 showed an increase of 2.7% in the average number of employees, which is similar to that of 2004 and the highest growth rate since 2000. Contributing particularly to this growth was trade, since shopping centres have continued at a brisk pace. Employment in transport and communication was up slightly, and that of energy and particularly industrial firms was down. The CBQ data for the first three quarters of 2006 show employment growth of 1.7%, in line with the positive behaviour of activity. It is appropriate to assess this figure within the framework of the characteristics of the CBQ corporations, which exhibit more moderate employment behaviour than that subsequently confirmed by the CBA data (the CBQ employment growth rate for the four quarters of 2005 is 0.7%, against the aforementioned CBA figure of 2.7% for 2005). As in 2005, and for the same reasons, wholesale and retail trade



SOURCE: Banco de España.

a. 2001, 2002, 2003, 2004 and 2005 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).  
b. Average of the first three quarters of 2006 relative to the same period in 2005.

firms continued to create the largest number of jobs, while in the other sectors employment moved at negative rates, albeit near zero. A staff reduction of 15,000 employees by a large communications corporation, which was initiated in 2003 and will not end until 2007, largely explains this low employment figure per the CBQ in the last few years and will continue to affect it until this redundancy process is completed. Average compensation changed at moderate rates both in 2005 and in the first three quarters of 2006. Personnel costs, which reflect the overall variation in employment and average compensation, increased by nearly 5% both in 2005 and in the first three quarters of 2006. This meant that gross operating profit (GOP) in 2005 grew by 2.6%, clearly below the 10.7% of the previous year, and that in the first three



SOURCE: Banco de España.

a. 2001, 2002, 2003, 2004 and 2005 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).  
b. Average for the first three quarters of 2006 in relation to the same period in 2005.

quarters of 2006 GOP increased by 8.4%, reflecting the expansion of productive activity in this period.

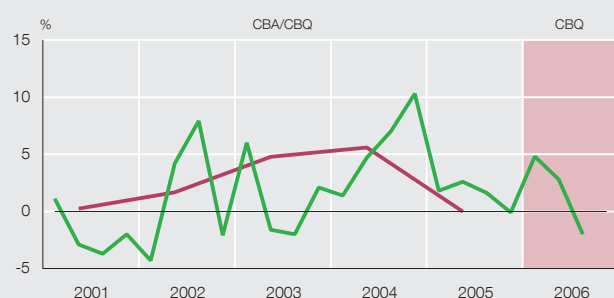
Analysis of financial revenue and costs also produced a very different picture for the two periods under consideration. Thus 2005 saw a sharp increase in financial revenue, mainly as a result of an inflow of dividends from foreign subsidiaries, while financial costs grew moderately. However, in 2006 Q1-Q3 there was a smaller increase in financial revenue and considerable growth in financial costs (nearly 30%), mainly due to the inflow of borrowed funds, against a background of interest rates, which, although they have begun to rise gradually, remain at

The data gathered by the Central Balance Sheet Data Office showed that industrial sector activity stagnated in 2005, whereas in 2004 its GVA had grown by 5.6%. This downturn reflects the impact on the sample corporations of the circumstances referred to in the Introduction. The slowdown affects all sub-sectors, although it is most marked in the sector “manufacture of transport equipment”, the GVA of which fell by 6.6% with respect to 2004. This situation gave way, in the first three quarters of 2006, to an increase of 2.4% in the GVA of industrial corporations, which was around one percentage point more than the CBQ figure for 2005 as a whole. The across-the-board improvement shown by industrial firms in 2006 was underpinned by greater buoyancy of external activity (which led to a substantial increase in exports) and by the positive performance of investment in capital goods, and resulted in particularly strong GVA growth in the sub-sectors “manufacture of electrical, electronic and optical equipment” and “manufacture of glass, ceramics and metal products”, with increases of 10.4%

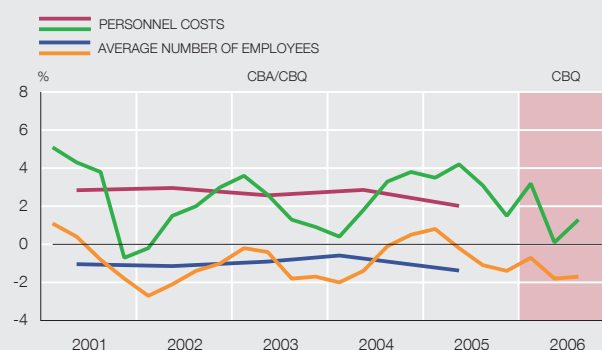
and 13.4%, respectively. This growth was not widespread. Hence, both the sector “food products, beverages and tobacco” (affected by the impact on demand of the entry into force of the anti-tobacco law) and the sector “manufacture of transport equipment” saw sizeable fall-offs in GVA of 13.7% and 6%, respectively. Net increases in employment were again conspicuously absent in industrial corporations, with negative rates in 2005 and 2006 Q1-Q3 (-1.4 in both periods). Both these rates, particularly that of 2006, strongly reflect the sharp staff reductions in those sub-sectors that also showed negative growth in activity. Hence, in 2006 Q1-Q3 firms in the “manufacture of transport equipment” and “food products, beverages and tobacco” sectors reduced staff by 3.2% 4.6% respectively, whereas the other aggregates of firms held their staff numbers unchanged or raised them notably (as in “chemical industries” and “manufacture of electrical, electronic and optical equipment”), but fell short of fully offsetting the aforementioned falls. Average compensation in industry grew by

## PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

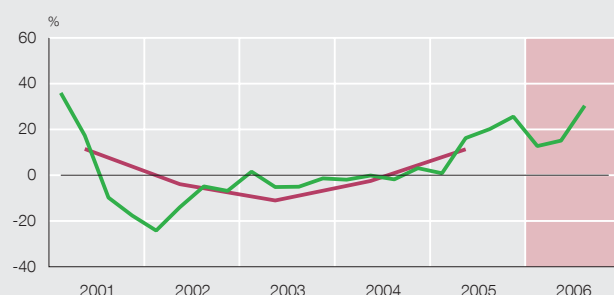
**GROSS VALUE ADDED AT FACTOR COST**  
Rate of change



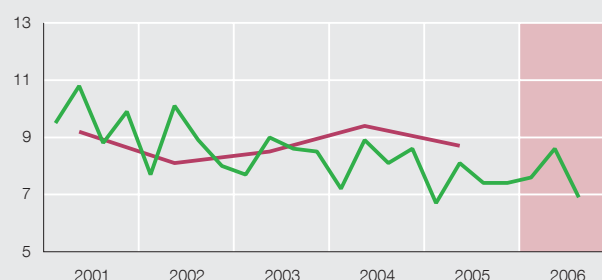
**EMPLOYMENT AND WAGES**  
Rate of change



**FINANCIAL COSTS**  
Rate of change



**RETURN ON INVESTMENT**  
Ratios



REPORTING INDUSTRIAL CORPORATIONS		2001	2002	2003	2004	2005	2006
Number of corporations	CBA	2,814	2,715	2,624	2,507	1,909	—
	CBQ	401 391 379 362	389 375 365 354	366 361 352 344	350 342 335 332	321 308 299 288	315 289 213 —
% of GDP of the sub-sector industrial corporations	CBA	28.2	27.9	28.5	29.3	23.0	—
	CBQ	21.5 21.2 18.8 20.1	19.6 20.6 18.6 18.5	18.8 19.1 17.1 17.7	19.4 19.9 17.9 19.2	18.9 19.5 16.7 17.5	18.4 17.8 11.2 —

SOURCE: Banco de España.

3.4% in 2005 and, on the information available to September 2006, by 3% in 2006 Q1-Q3, in line with behaviour described for the sample corporation total. The changes in compensation and employment led to increased personal costs (up by nearly 2%) both in 2005 and in 2006 to September. As a result of the behaviour of productive activity and personal costs combined with that of net financial revenue, ordinary net profit in 2005 showed rates of change that were positive but lower than in the previous year, since, unlike in the sample corporation total, net financial revenue did not offset the falls in activity, whereas the CBQ data for 2006 show increases in ordinary net profit of about 2%. This performance permitted profit ratios in 2006 to resume an upward trend following the fall of the previous year. Thus return on investment to September 2006 stood at 8.2%, up 0.4 pp on the same period a year earlier. Since the ratio approximating the financial cost held at low levels that were similar in 2005 and 2006,

the difference between return on investment and cost was positive and tended to move upwards in 2006 Q1-Q3. In sum, Spanish industry underwent a slowdown in activity in 2005, under the effects of higher oil costs (which imply narrower margins and production cuts), in an international setting of growing competition. By contrast, 2006 is more buoyant, with clearly higher activity in most sectors, impelled by the pick-up in capital goods investment and the improvement in exports, against a background of moderate growth in wage costs. This recovery has yet to pass through to employment, largely because of the staff reductions in the industrial sub-sectors whose activity has trended negatively in the recent past. Also, the performance of the industrial corporations reporting to the Central Balance Sheet Data Office reflects the increase in capital goods investment and the greater buoyancy of exports, and they are posting returns in line with those of the other corporations in the sample.

historically low levels. Noteworthy within this greater borrowing, which raised financial costs in 2006, was an increase of €25,000 million in the debt of a large communications corporation to finance the take-over of a European firm in the sector. This transaction accounts for more than half of the aforementioned increased financial costs. As a result of the changes in financial revenue and costs, ordinary net profit (ONP) grew by 9.8% in 2005 and by 6.1% in the first three quarters of 2006. In any event, the overall growth of ONP and financial costs (the numerator used to calculate the return on investment) was near 10.5% in both periods, which, given the changes in net assets, sufficed for corporations to continue posting levels of return on investment (8.7% in 2005 and 8.9% up to September in 2006) higher than in previous periods. At the same time, the ratio that approximates the cost of borrowed funds held at levels below 4% in both 2005 and 2006 Q1-Q3, allowing the difference between ROI and the cost of debt to remain at values that were positive and growing (5 in 2005, and 5.1 in 2006 Q1-Q3) in comparison with the preceding periods. This is possibly the best indicator of the profitability of the sample corporations in recent times.

The items composing extraordinary results in 2005 added to the growth of final net profit – the amount of which influences the distribution of dividends – as a result of certain substantial gains on fixed asset sales and of the reversal of provisions recorded in prior years in connection with investments abroad by certain large corporations. As a result of all this, final net profit increased in 2005 by 23.2% and stood at 24.4% of gross value added, an all-time high for the CBA series. Moreover, 2006 brought another increase in extraordinary results, basically due to gains on share sales by certain Spanish multinationals, which gave rise to growth of 19.4% in the total net result. This positive performance of extraordinary results to September 2006 took place despite extraordinary share portfolio provisioning in this period at certain Spanish holding companies, in order to reflect the lower market value of their foreign subsidiaries. The growth of final net profit in 2006 Q1-Q3 is slightly below that a year earlier, although it must be evaluated against the background of high growth of this balance since 2003. Additional evidence for the high level of final net profit of corporations in 2006 Q1-Q3 is that it represents 32.8% of GVA, a historical high in the CBQ series. Finally, it should be noted that the behaviour of final net profit as measured by the CBSO is consistent with that of the final net profit implicit in the statistics disseminated by the CNMV on the results of listed companies, when the

**VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE.  
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS**  
Growth rate of the same corporations on the same period a year earlier

TABLE 2.A

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				COMPENSATION PER EMPLOYEE			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2005	05 Q1 -Q4	05 Q1 -Q3	06 Q1 -Q3	2005	05 Q1 -Q4	05 Q1 -Q3	06 Q1 -Q3	2005	05 Q1 -Q4	05 Q1 -Q3	06 Q1 -Q3	2005	05 Q1 -Q4	05 Q1 -Q3	06 Q1 -Q3
Total	3.9	3.7	3.4	6.9	2.7	0.7	0.6	1.7	5.3	3.8	3.7	4.9	2.5	3.1	3.1	3.1
SIZE																
Small	4.3	—	—	—	-0.2	—	—	—	4.0	—	—	—	4.2	—	—	—
Medium	4.7	3.4	1.8	7.6	1.9	0.6	0.4	1.4	5.7	4.5	4.4	5.6	3.8	3.9	4.0	4.1
Large	3.8	3.7	3.5	6.9	2.9	0.7	0.6	1.8	5.3	3.8	3.6	4.8	2.3	3.1	3.0	2.9
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	13.0	10.5	9.3	14.4	-0.7	-0.7	-0.8	-0.5	4.5	3.5	3.2	3.7	5.2	4.2	4.0	4.2
Industry	0.0	1.5	2.0	2.4	-1.4	-0.4	-0.2	-1.4	2.0	3.1	3.6	1.6	3.4	3.5	3.8	3.0
Wholesale and retail trade	5.2	3.3	2.2	7.2	5.3	2.7	2.3	4.2	7.3	4.3	4.4	7.5	1.9	1.6	2.1	3.2
Transport and communications	0.1	0.4	0.7	4.2	0.2	-0.6	-0.6	-0.2	3.6	2.8	2.5	3.7	3.4	3.4	3.1	3.9

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.

figures are expressed in comparable terms, i.e. for the same firms and the same scope of operations. In this respect, the CNMV disseminates the results of listed Spanish corporate groups (which include firms resident abroad), whether they be financial or non-financial, whereas the CBSO disseminates the results of resident individual firms (but not of non-resident individual firms owned by Spanish multinational groups) that are non-financial (i.e. not banks and other financial institutions), whether listed or not. In addition, the number of listed non-financial corporate groups in the CNMV statistics is approximately 150, whereas the CBQ analyses around 800 non-financial individual firms.

In sum, the activity of the non-financial corporations reporting to the CBSO showed rates of change in 2005 that were positive but different from usual in being lower than those of the annual and quarterly Spanish accounts. This was because of a number of circumstances such as oil price rises and the slowdown in industry, which adversely affected the corporations best represented in the sample. In 2006 Q1-Q3, the reporting corporations returned to a more expansionary path, with clearer and more general increases in GVA, thanks to the strength of domestic demand and to the vigour of investment in capital goods, to which was added the improvement in external activity. All this was accompanied by ongoing solid job creation, against a background marked by a certain moderation in wage costs in both 2005 and 2006 Q1-Q3. Also, in 2005 the inflow of financial revenue (dividends) and the moderate behaviour of financial costs lifted the growth of ordinary results to a rate exceeding that of the surplus generated by productive activity. By contrast, in 2006 the moderate increase in financial revenue and significant rise in financial costs meant that ordinary results grew less than the surplus from productive activity. In short, in 2005 the performance of net financial revenue counteracted the moderate growth of productive activity, while in 2006 Q1-Q3 the opposite occurred. As a result of all this, the return on investment continued to perform very favourably, which, together with the moderation of interest rates, permitted returns on equity of 12.7% in 2005 and 14.1% in 2006. These rates are evidence that the conditions are right for productive investment to continue to increase. Thus there is a favourable environment for business activity,



**EMPLOYMENT AND PERSONNEL COSTS**  
**Details based on changes in staff levels**

TABLE 2.B

	TOTAL CBQ CORPORATIONS 2006 Q1 - Q3	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations	737	450	287
<b>PERSONNEL COSTS</b>			
Initial situation 05 Q1-Q3 (€m)	17,561.0	9,933.9	7,627.1
Rate 06 Q1-Q3/ 05 Q1-Q3	4.9	9.4	-1.1
<b>AVERAGE COMPENSATION</b>			
Initial situation 05 Q1-Q3 (€m)	30,798.3	27,694.6	36,062.0
Rate 06 Q1-Q3/ 05 Q1-Q3	3.1	3.4	4.5
<b>NUMBER OF EMPLOYEES</b>			
Initial situation 05 Q1-Q3 (000s)	570	359	211
Rate 06 Q1-Q3/ 05 Q1-Q3	1.7	5.9	-5.3
Permanent			
Initial situation 05 Q1-Q3 (000s)	480	287	193
Rate 06 Q1-Q3/ 05 Q1-Q3	0.1	2.9	-4.1
Non-permanent			
Initial situation 05 Q1-Q3 (000s)	90	72	18
Rate 06 Q1-Q3/ 05 Q1-Q3	10.2	17.6	-18.2

SOURCE: Banco de España.

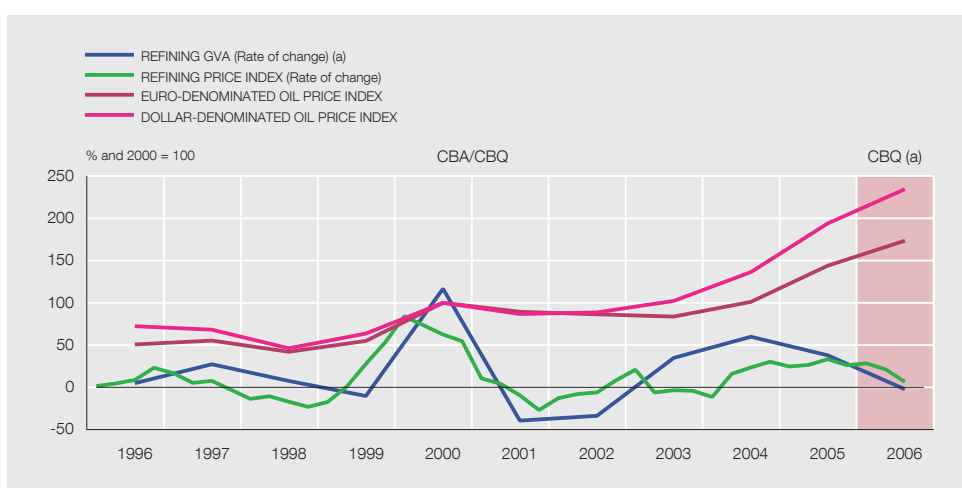
in which the main uncertainties continue to be the achievement of ongoing growth in industry and the consolidation of the recent moderation in oil prices.

**Activity**

Productive activity, as measured by GVA growth, increased by 3.9% in 2005 (see Table 1 and Chart 1), compared with 7.5% in 2004. This took place against a background of sharper sales growth in which corporations raised their 2005 turnover by 12.1%, as against 8.8% in 2004. However, this was offset by a significant increase in inputs, which, at a rate of change of 14.2%, indicated that the impact of oil price rises was lower. The impact of these rises on most sectors of this corporate aggregate can be seen in Chart 2, which sets out these prices since 1996 and shows that oil prices peaked in 2006 with growth rates in euro of 42.2% in 2005 and 26.4% in 2006 Q1-Q3. Also, certain sectors not sufficiently represented in the CBA sample, such as construction and market services, were, according to the National Accounts, the most buoyant ones that year. By contrast, in 2006 the Q1-Q3 picture improved appreciably and the CBQ corporations showed notable growth in productive activity with an increase in GVA of 6.9% in nominal terms, against 3.4% in the same period of 2005. This performance meant that the growth rate of sales in Spain remained strong, as evidenced by the first-half results and by the improved net external demand (see Table 3), which improved notably with respect to the same period a year earlier.

Sectoral analysis of activity in 2005 shows that all corporate groupings except energy posted lower GVA increases than in the preceding periods, in line with the results obtained for the total sample. By contrast, 2006 Q1-Q3 saw an across-the-board increase in activity in all sectors (see Table 2.A), particularly in wholesale and retail trade and in energy. The nominal increase of 7.2% in the GVA of wholesale and retail trade is a reflection of the continued strength of private consumption, whereas the 14.4% growth of energy corporations coincided, on the one hand, with a fall of 2.4% in refining GVA as a result of the narrower margins in 2006 following the sharp rises in 2004 and 2005 (rates of 57.6% and 37.8%, respectively), and, on the other, a rise of 19.6% in the GVA of electricity, gas and water





SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio (Informe mensual de precios).

a. The 2006 data relate to the CBQ.

utilities, explained by the lower production costs of electric utilities and by the expansion of the gas sector in 2006 Q1-Q3<sup>3</sup>. Meanwhile, the GVA of transport and communications corporations grew by 4.2% in 2006, much higher than in the same period of 2005 (0.7%), spurred by the activity of telecommunications corporations in response to the positive behaviour of domestic demand, to which can be added certain major transport corporations, which have begun to recover in recent months following the narrowing of their margins as a result of the 2005 fuel price hikes. The GVA of industry increased by 2.4%, one percentage point higher than in the same period of 2005, which is consistent with the increase in demand for capital goods shown by alternative sources and with the greater buoyancy of external activity. Table 3 shows that the net external demand of industry increased in 2006 Q1-Q3 by 17.2%, compared with a decrease of -2.6% in the same period of 2005.

Finally, Chart 3 shows the distribution of corporations according to the rate of change of GVA, independently of their size or economic sector. It shows that 62% of corporations increased their GVA, against 57% in the previous year.

### Employment and personnel costs

Personnel costs increased similarly in 2005 and 2006 Q1-Q3, with rates near to 5%. In the case of the annual data, the growth in 2005 was half a percentage point higher than in 2004, while the CBQ data show a slight rise compared with the previous year, which was due to the increase in employment in 2006 Q1-Q3, since personnel costs per employee remained steady.

Employment showed positive rates of change in the reporting period, specifically 2.7% in 2005 according to the CBA, and 1.7% in 2006 Q1-Q3 according to the CBQ. Sectorally, this

3. The production costs of electric utilities fell in 2006 thanks to improved exploitation of hydroelectric power stations and to a sharp increase in the use of combined cycle power stations – more efficient than traditional thermal power stations – against a background of growing electricity consumption (which, according to REE, grew by 3.9% to September 2006). Also, the sales of gas corporations expanded strongly as a result of a sharp increase in demand for natural gas in the period under analysis.

As is customary in the monograph on the latest reporting year ended (2005 in this case), which coincides with the dissemination of data on the first three quarters of the current reporting year, this box briefly analyses the performance of small corporations up to the latest reporting year ended. The data are drawn from the database that the Central Balance Sheet Data Office has constructed from information on the accounts lodged with the Mercantile Registries (CBBE/RM or CBB)<sup>1</sup>. The tables used as a basis for this box are published in an annex to the annual monograph. This information provides a knowl-

edge of the behaviour of a segment of non-financial corporations that is difficult to study using other databases in the Central Balance Sheet Data Office, with the advantage that the CBB offers a very large sample (nearly 450,000 in 2004, the latest database to reach its data cut-off date, and more than 72,000 in 2005). This large sample to some extent makes up for the lag with which these data are received (the CBB is an annual database) and for the smaller amount of detail than the CBA and the CBQ. The aggregate analysed in this database is, moreover, complementary to the annual database, since the CBB excludes any corporation that may have sent its data directly as a CBA reporting corporation. It should also be kept in mind that, despite their high number, the CBB coverage is small and in 2004 and 2005 account for 16.6% and 2.6%, respectively, of the GVA of the non-financial corporations sector.

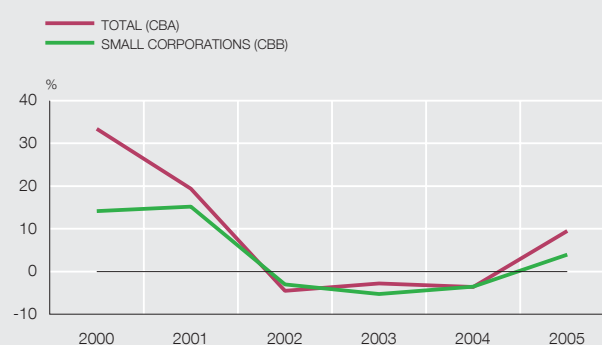
1. The Central Balance Sheet Data Office considers small corporations to be those with fewer than 50 employees. This criterion is followed in delimiting the aggregates used to prepare the monograph tables based on CBB data and in carrying out the analysis contained in this box.

## RESULTS OF SMALL CORPORATIONS

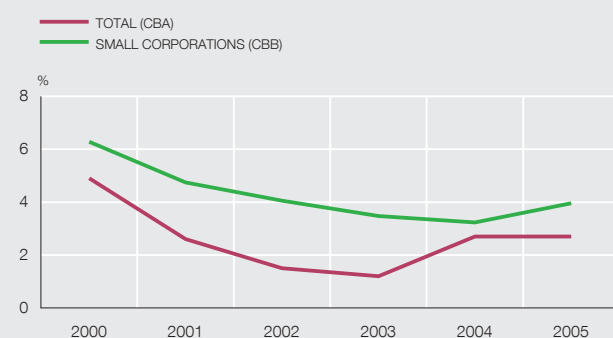
**GROSS VALUE ADDED AT FACTOR COST**  
(Rate of change)



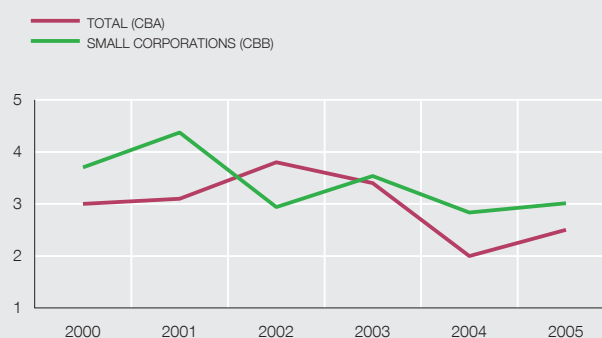
**FINANCIAL COSTS**  
(Rate of change)



**EMPLOYMENT**  
(Rate of change)



**PERSONNEL COSTS PER EMPLOYEE**  
(Rate of change)



		2000	2001	2002	2003	2004	2005
Number of corporations	CBA	8,487	8,414	8,418	8,834	8,923	6,671
	CBB (a)	231,651	245,620	319,958	374,874	441,859	72,390
% of GDP of the sector non-financial corporations	CBA	30.4	29.6	29.5	30.4	32.2	25.6
	CBB (a)	10.6	10.8	13.1	15.0	16.6	2.6

SOURCE: Banco de España.

a. In the case of the "Employment" and "Personnel Costs per Employee" charts, the data relate to the sub-set of corporations with consistent employment figures (65% of the CBB total).

According to the CBB, in 2005 the GVA of the aggregate of small corporations grew by 6.3%, nearly one percentage point more than in 2004. This pick-up in activity by the CBB corporations complements that recorded for the same year in the CBA, which was a slow-down, so the two databases taken together provide a more detailed picture than the annual/quarterly National Accounts for the non-financial corporations sector. The rebound in productive activity was across-the-board, although particularly notable in market services and construction, whose GVA grew at rates of 6.8% and 7.1%, respectively. Personnel costs rose by 7.8% in 2005, more than one percentage point higher than in 2004, mainly due to the behaviour of employment (growth of 4%), while wage costs moved much the same as in 2004, with growth rates of around 3%. The most notable sectors were once again construction and market services, which created jobs in line with the growth of their productive activity. They were also the sectors with the clearest trend towards wage moderation, as seen in the wage increases of around 3% and 2.3%, respectively, practically the same as in 2004. By contrast, yet another year the industrial sector saw small increases in employment (1.2%), although higher than in the previous year.

The behaviour of GVA and personnel costs in 2005 caused the gross operating profit of small corporations to grow by 2.1%, half a percentage point more than in 2004. Financial costs, after three years of continual decreases, rose by 4% in 2005. This rise was offset by the sharp increase in financial revenue (10.4%), with the result that net

financial costs (financial costs less financial revenue) decreased by nearly 6%. This, together with the increase in depreciation (5.8%), meant that ordinary net profit in 2005 grew by practically zero, showing very similar behaviour to that of 2004. In any event, the overall change in ordinary net profit plus financial costs (the numerator used to calculate returns) permitted these corporations to record a return on equity (the only profit ratio that can be calculated from the information available in the CBB) of 8% in 2005. This was slightly lower than in 2004, thereby continuing the trend of progressive decline in this ratio in the CBB since the highs recorded by small corporations in 1999 (12.4%). Sectorally, it can be seen that both the industrial sector and the firms engaging in activities with low coverage in the sample suffered a deterioration in profitability in 2005, while market services and, in particular, construction, recorded returns on equity similar to or greater than those of the previous year.

In sum, generally the productive activity of the small corporations included in the Central Balance Sheet Data Office's CBB database increased in 2005 by more than in 2004. This enabled them to step up job creation, in a scenario of continuing moderate growth in wage costs. These positive developments were most notable in market services, and particularly in construction, which were the sectors that recorded increases in activity, employment and profitability in 2005. By contrast, industrial corporations in this database recorded more moderate changes in activity and employment, and a deterioration in profitability compared with previous years.

same pattern of no change or slight improvement is apparent in all the main sectors analysed except for the industrial sector, which recorded a fall in average employment as a result of the slowdown in activity and of the sharp staff reductions at some large corporations in certain sub-sectors (particularly manufacture of transport equipment), which worsened the deterioration in employment that has been in progress in this aggregate for some years. The rate of job creation in 2006 Q1-Q3, albeit small, is, according to the CBQ, higher than in the same period of 2005, which suggests that when CBA data become available for the whole of 2006, it will be nearly 3%; if so, this would confirm the trend in place for the last nine quarters. This growth consisted basically of an increase in non-permanent employment and was particularly significant in wholesale and retail trade, where, at 4.2%, it was nearly twice that in the same period a year earlier, due partly, as in 2005, to the continued high rate of new shopping centre openings. Staff numbers in the transport and communications corporations remained steady in 2005 and 2006 Q1-Q3, and were influenced by the staff reduction under way at a communications corporation mentioned in the Introduction<sup>4</sup>. As in previous periods, energy corporations continued to trim staff slightly in 2005 and in 2006 Q1-Q3, due to the restructuring under way in the electric utilities to adapt their operations to a deregulated market. In principle, the fall in employment in industry during 2006 Q1-Q3 (1.4%) contrasts with the positive trend in activity, but the data show that the workforce reduction is concentrated in the sub-sectors whose activity has performed negatively ("food products, beverages and

4. Excluding the effect of this process on the sample of corporations analyzed, the rates of change in the sector are 1.1% for 2006 Q1-Q3 and 0.4% for the same period of 2005.

**PURCHASES AND TURNOVER OF CORPORATIONS REPORTING DATA ON  
PURCHASING SOURCES AND SALES DESTINATIONS**  
Structure and rate of change

TABLE 3

		CBA		CBQ (a)	
		2004	2005	05 Q1-Q3	06 Q1-Q3
Total corporations		6,671	6,671	737	737
Corporations reporting source/destination		6,671	6,671	708	708
Percentage of net purchases according to source	Spain	69.5	68.7	77.4	76.9
	Total abroad	30.5	31.3	22.6	23.1
	<i>EU countries</i>	16.6	15.4	14.4	13.8
	<i>Third countries</i>	13.9	15.9	8.3	9.4
Percentage of net turnover according to destination	Spain	85.3	86.3	88.7	87.9
	Total abroad	14.7	13.7	11.3	12.1
	<i>EU countries</i>	10.8	9.9	8.4	8.4
	<i>Third countries</i>	3.9	3.8	2.9	3.7
Change in net external demand (exports less imports), rate of change	<i>Industry</i>	-4.5	-18.8	-2.6	17.2
	<i>Other corporations</i>	-24.4	-43.4	-23.1	1.8

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the relevant quarterly data.

**PERSONNEL COSTS, EMPLOYEES AND AVERAGE COMPENSATION**  
Percentage of corporations in specific situations

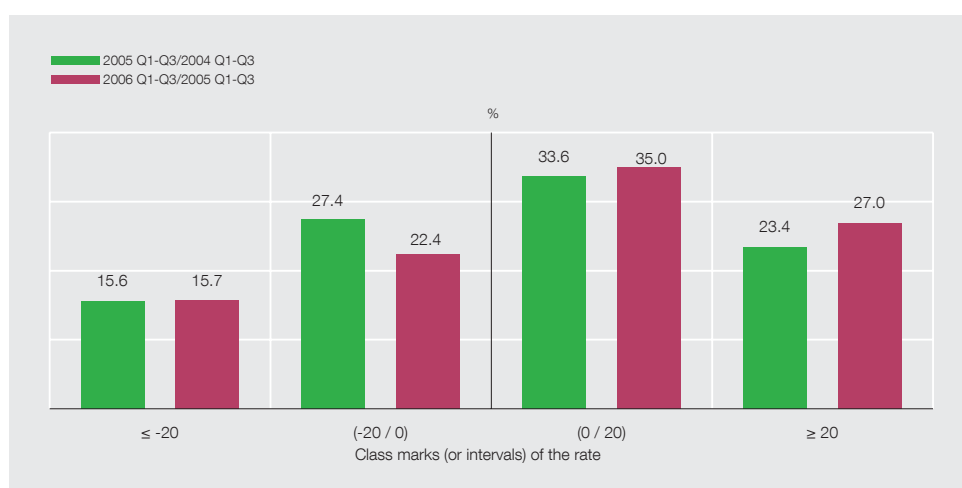
TABLE 4

	CBA		CBQ (a)			
	2004	2005	04 Q1 - Q4	05 Q1 - Q4	05 Q1 - Q3	06 Q1 - Q3
Number of corporations	8,923	6,671	817	794	805	737
PERSONNEL COSTS	100	100	100	100	100	100
Falling	25.5	28.8	32.3	28.8	28.0	25.7
Constant or rising	74.5	71.2	67.7	71.2	72.0	74.3
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.6	31.6	44.4	40.8	40.9	38.4
Constant or rising	68.4	68.4	55.6	59.2	59.1	61.6
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	37.2	45.6	46.4	49.4	48.1	49.0
Higher or same growth (b)	62.8	54.4	53.6	50.6	51.9	51.0

SOURCE: Banco de España.

a. Weighted average of the relevant quarters for each column.

b. Twelve-month percentage change in the CPI for the CBA, and quarter-on-quarter percentage change in the CPI for the CBQ.



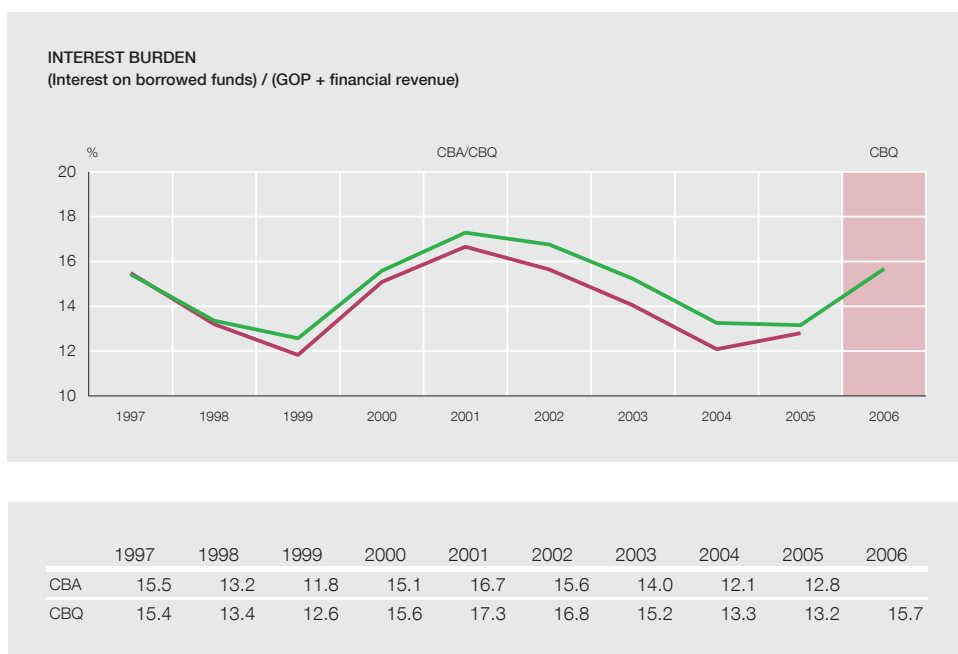
SOURCE: Banco de España.

tobacco” and “manufacture of transport equipment”, while the remainder performed positively. Finally, Table 4 shows that the sound trend in employment is becoming general in the majority of the sample corporations, since in 2006 Q1-Q3 61.6% of them increased their workforce or held it unchanged, nearly three percentage points more than in the same period of 2005.

Average compensation showed a certain moderation in the reporting period and stabilised at rates of around 3%. The CBA data for 2005 showed growth of 2.5% in wage costs, while the personnel costs per employee in the CBQ corporations increased by 3.1% in 2006 Q1-Q3, equal to the rise in the same period of 2005. Behaviour was very even across the sectors, among which the energy corporations were notable because their average compensation increased by more than that of the other sectors in the two periods analysed. As has become usual, the most moderate increases in 2005 were recorded by wholesale and retail trade corporations, although in 2006 Q1-Q3 their average compensation was in line with the sample average. Finally, Table 2.B, which lists separately the firms that create jobs and those that destroy them, shows that the firms that destroyed jobs in 2006 Q1-Q3 raised average employee compensation by 4.5%, and that those which created jobs or held their number unchanged raised average employee compensation by 3.4%.

### Profits, rates of return and debt

The overall change in activity and personnel costs explains why gross operating profit grew by 2.6% in 2005, appreciably less than in the previous year, and by 8.4% in 2006 Q1-Q3. Financial costs increased by 9.5% in 2005 and by 29.1% to September 2006, this latter figure being largely explained by the exceptional transaction referred to in the Introduction. In addition to noting the growth of financial costs in absolute terms, it is of interest to look at how it is related to that of income from productive activity (except personnel costs), i.e. that of gross operating profit, plus financial revenue, so as to make it plain that the corporations are able to meet these costs out of the aforementioned funds. Chart 4, which portrays this relationship, shows that the levels reached in the reporting period do not exceed the highs of previous years, although a change of trend is discernible from 2005. Also, as has become customary, the reasons for the growth of financial costs in the periods analysed are set out in the following table:



SOURCE: Banco de España.

	2005/2004	06 Q1-Q3/05 Q1-Q3
<b>Change in financial costs</b>	<b>9.5%</b>	<b>29.1%</b>
A. <i>Interest on borrowed funds</i>	9.3%	30.1%
1. Due to the cost (interest rate)	+2.1%	+2.7%
2. Due to the amount of interest-bearing debt	+7.2%	+27.4%
B. <i>Commissions and cash discounts</i>	+0.2%	-1.0%

The table shows that the growth of financial costs in 2005 and particularly in 2006 Q1-Q3 was mainly due to the inflow of new financing, although the recent interest rate rises have been gradually passing through to ratio R.2, which approximates the cost of debt borne by firms, which was slightly higher than in previous periods (see Table 1). The growth of debt was particularly steep in 2006 due to the aforementioned exceptional transaction. If the effect of this transaction were excluded, the increase in financing in 2006 Q1-Q3 would fall from 27.4% to approximately 14%, and financial costs in this period would grow by approximately half of what they did. Meanwhile, the general upward trend in debt is confirmed by analysis of ratio E1 (interest-bearing borrowing to net assets) in Chart 5, which shows a turning point and subsequent higher growth in 2006 Q1-Q3. Ratio E2, which relates the debt of firms to their ability to generate value added and thus indicates, among other things, their solvency, confirms that debt increased more sharply from the beginning of 2006 and was concentrated in multinational groups (MGs), on which the aforementioned transaction had a significant impact. The ratio E2 remained very steady in other corporations, so it can be concluded that the higher recourse to borrowing by corporations as a whole has not reduced their solvency, due to a positive performance of their productive activity.

The strong rise in financial revenue in 2005 contributed to the growth of 9.8% in ordinary net profit, a rate which, although far removed from the growth of 2004 (23.1%), is a high level of profit, given that since 1997 financial revenue has been growing (except in 2002) at positive rates which, in various years, have been very high. The slowdown in financial revenue in 2006

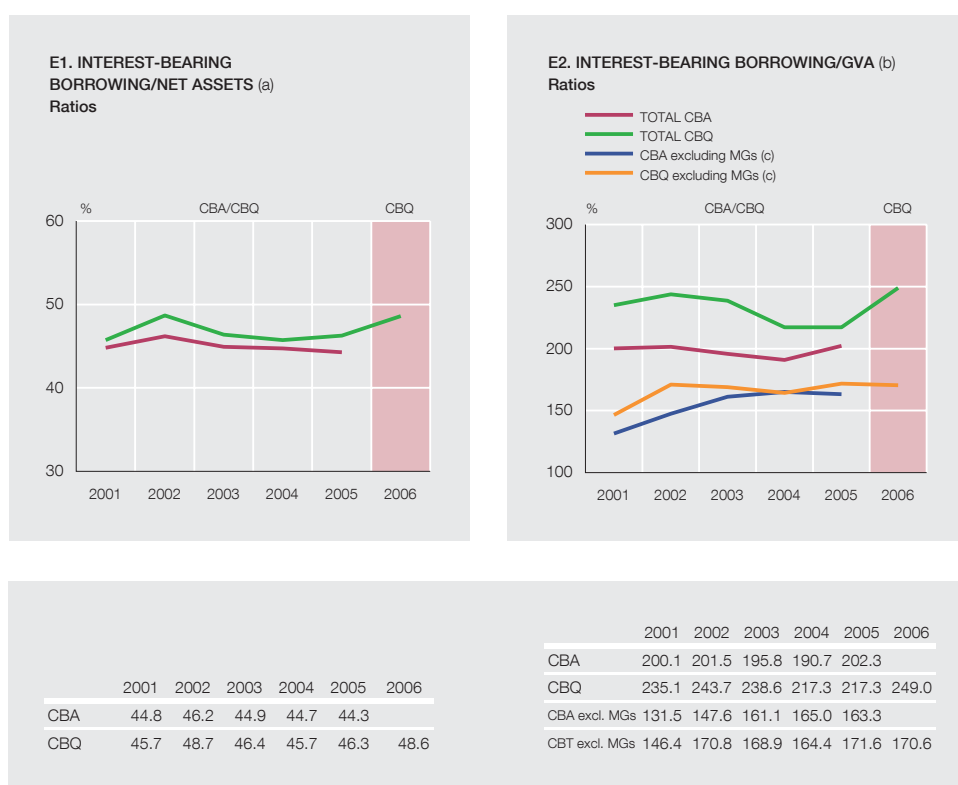
The Central Balance Sheet Data Office Quarterly Survey (CBQ) provides valuable information for gaining a better knowledge of the activity of firms and analysing developments in their main costs and in their profits, margins and profitability. For its part, the Central Balance Sheet Data Office Annual Survey (CBA) allows more varied and deeper analyses, but with the drawback of a greater time lag in the availability of data than the CBQ. Therefore, these two databases can be considered complementary, to the point that a link can be established between them by constructing a standard profit and loss account that is compatible with the two approaches (precisely the former used in Table 1 of this article).

Obviously, this link requires the detail in the CBA to be reduced to the level of that available in the quarterly survey. However, foregoing this detail does not significantly detract from the conclusions that can be drawn from the main captions, since only certain items of a residual nature are affected. This is confirmed in the following table, which sets out the structure of the 2005 profit and loss account with all the CBA headings. The captions not available in the quarterly survey had been signalled by preceding them with a letter. As can be seen, they are all quantitatively very minor compared with the other expenses and revenues, which are available in both the CBA and the CBQ.

DATABASES	CBA 2005
Number of corporations	6,671
Total national coverage	25.2%
<b>PROFIT AND LOSS ACCOUNT</b>	
1. VALUE OF OUTPUT (including subsidies)	100.0
Of which:	
1.1 Net amount of turnover and other operating income	137.1
1.2 (-) Consumption (wholesale and retail trade and real estate sectors)	-39.4
1.a Other items (not available in CBQ)	2.3
2. INPUTS (including taxes)	68.9
Of which:	
2.1 Net purchases	41.6
2.2 Other operating costs	26.7
2.b Other items (not available in CBQ)	0.6
S.1. GROSS VALUE ADDED AT FACTOR COST (1 – 2)	31.1
3. Personnel costs	15.7
S.2. GROSS OPERATING PROFIT (S.1– 3)	15.4
4. Financial revenue	3.5
5. Financial costs	2.7
6. Depreciation and provisions	6.1
S.3. ORDINARY NET PROFIT (S.2 + 4 – 5 – 6)	10.2
7. Capital gains and extraordinary income	4.6
8. Capital losses and extraordinary expenses	4.0
9. Other (provisions and taxes)	3.2
S.4. NET PROFIT (S.3 + 7 – 8 – 9 – 10)	7.6

SOURCE: Banco de España.

Q1-Q3 was because, following the exceptional performance of the previous year, the rate of inflow of dividends from foreign subsidiaries decreased, and this, together with the extraordinary rise in financial costs, resulted in an ONP growth rate of 6.1%, approximately half that in the same period a year earlier, according to the CBQ. In any event, it should be noted that this change in ONP, and that in financial costs (the numerator in the calculation of return on investment), offset each other in the two periods under analysis. Hence the overall change was sufficient for corporations to post high rates of return which were similar to, and even greater than, those in the immediately preceding periods. Thus the return on investment (R.1) stood at 8.7% for 2005 (8.2% in 2004), and at 8.9% to September 2006, against 7.8% recorded for



SOURCE: Banco de España.

- a. Ratio calculated from final balance sheet figures. Own funds include an adjustment to current prices.  
b. Ratio calculated from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intragroup debt (approximation of consolidated debt).  
c. MGs: sample corporations belonging to the main reporting multinational groups.

this ratio in the same period a year earlier (see Table 5). This information relating to the total sample is complemented by that in Table 6, which shows a higher percentage of corporations reporting increases in excess of 10%, or even 15%, in both return on investment (R.1) and return on equity (R.3). The ratio approximating the cost of debt (R.2) stabilised, for the periods analysed, at values somewhat less than 4%, although it increased moderately in both 2005 and 2006 Q3 as a result of the progressive pass-through of interest rate rises to corporate costs. In any event, it has held at amounts conducive to borrowing. The behaviour of the profit and financial cost ratios permitted the difference between them to remain at high positive levels, with values of 5 for 2005, and of 5.1 according to the CBQ data up to September 2006, which were both higher than in prior periods.

Finally, extraordinary results performed similarly in the two periods analysed, although they were more positive in 2005, when capital gains grew by more than 50% as a result of fixed asset sales. To this must also be added the decrease in 2005 in the heading "Other (net provisioning and income tax)", which fell by nearly 10% because the portfolio provisions recorded in prior years to recognise possible losses of value in financial investments abroad were reversed in view of the improvement in the economies in which these investments are located. All this helped to raise the growth of net profit in 2005 to 23.2% according to CBA data and resulted in the highest profit level in the entire annual series, as evidenced by the value of this balance as a percentage of GVA (24.4%). In 2006 Q3 capital gains and extraordinary revenue rose by a similar amount to that of the previous year, basically due to the gains on share sales by certain large corporations in the sample, which led to an increase in net profit of nearly



**GROSS OPERATING PROFIT, ORDINARY NET PROFIT, RETURN ON INVESTMENT AND  
ROI-COST OF DEBT (R.1 – R.2).  
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS**  
Ratios and growth rates of the same corporations on the same period a year earlier

TABLE 5

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI – COST OF DEBT (R.1-R.2)			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2005	05 Q1 - Q4	05 Q1 - Q3	06 Q1 - Q3	2005	05 Q1 - Q4	05 Q1 - Q3	06 Q1 - Q3	2005	05 Q1 - Q4	05 Q1 - Q3	06 Q1 - Q3	2005	05 Q1 - Q4	05 Q1 - Q3	06 Q1 - Q3
Total	2.6	3.6	3.3	8.4	9.8	14.7	12.4	6.1	8.7	8.9	7.8	8.9	5.0	5.2	4.1	5.1
SIZE																
Small	4.8	—	—	—	10.6	—	—	—	7.0	—	—	—	3.2	—	—	—
Medium	3.4	2.0	-1.5	10.0	2.1	-0.8	-3.5	20.4	7.4	7.6	7.6	8.0	3.8	4.4	4.5	4.8
Large	2.5	3.7	3.4	8.4	10.4	15.3	13.0	5.7	8.8	8.9	7.8	8.9	5.1	5.2	4.1	5.1
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	15.9	12.4	11.0	17.3	41.2	33.6	30.6	14.2	9.9	10.3	9.6	10.5	6.5	6.9	6.2	6.9
Industry	-2.5	-0.4	0.1	3.4	1.3	-3.1	-0.1	2.0	8.7	8.3	7.8	8.2	5.0	4.5	4.1	4.6
Wholesale and retail trade	2.5	1.9	-0.8	6.7	3.4	2.5	1.4	9.2	10.6	8.7	8.5	7.8	7.4	5.1	5.0	4.3
Transport and communications	-2.3	-1.0	-0.5	4.5	-1.5	0.4	3.7	7.9	8.7	10.6	11.1	15.5	4.9	7.0	7.5	11.2

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.

**STRUCTURE OF REPORTING CORPORATIONS' RETURN ON INVESTMENT AND  
ORDINARY RETURN ON EQUITY**

TABLE 6

		CBQ (a)			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		05 Q1 - Q3	06 Q1 - Q3	05 Q1 - Q3	06 Q1 - Q3
Number of corporations		805	737	805	737
Percentage of corporations by profitability bracket	R ≤ 0%	24.0	23.3	26.7	27.0
	0% < R ≤ 5%	21.7	21.8	16.7	16.1
	5% < R ≤ 10%	17.2	15.6	12.3	11.9
	10% < R ≤ 15%	10.4	11.2	10.3	8.1
	15% < R	26.7	28.0	33.8	36.8
MEMORANDUM ITEM: Average return		7.8	8.9	11.4	14.1

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.

19.4%, despite the sharp increase in extraordinary provisioning in the portfolio to recognise the lower market value of certain investments abroad. Following such significant ongoing growth, net profit reached 32.8 % of GVA for 2006 Q3, another historical high in the CBQ series. This performance of net profit according to CBSO data is consistent with the final net profit implicit in the statistics disseminated by the CNMV on the results of listed companies when expressed in comparable terms, i.e. relating to the same firms and to the same scope of operations. In this respect, it should be kept in mind that the CNMV disseminates the results of listed Spanish corporate groups (which include firms resident abroad), whether they be finan-

cial or non-financial, whereas the CBSO disseminates the results of resident individual firms (but not of non-resident individual firms owned by Spanish multinational groups) that are non-financial (i.e. not banks and other financial institutions), whether listed or not. In addition, the number of listed non-financial corporate groups in the CNMV statistics is approximately 150, whereas the CBQ analyses around 800 non-financial individual firms.

In conclusion, Spanish corporations, after a year in 2005 marked by lower growth in activity than in 2004, as a result of the overrepresentation of industrial corporations and of others affected by the oil price rises, exhibited nominal GVA growth in 2006 Q3 of 6.9% with respect to the same period of the previous year. This growth was based mainly on the strength of domestic demand for consumer goods and capital equipment and on foreign demand, which enabled corporations to appreciably improve their situation. These developments were accompanied by a process of job creation against a background of wage moderation and mild growth of financial costs, which did not pose an obstacle to corporations raising their levels of debt. Furthermore, net financial revenue counteracted the moderate trend in productive activity in 2005, which was the opposite of what happened in 2006. All this meant that return on investment continued to perform very positively, which, together with the moderation of interest rates, meant that the difference between ROI and financial costs widened to five percentage points, evidencing the favourable conditions for further investment projects.

20.11.2006.



The authors of this article are Eva Ferraz and Eva Ortega of the Directorate General Economics, Statistics and Research

In the past, various studies have explored empirically the main stylised facts of the cyclical behaviour of the Spanish economy. However, the cyclical regularities found may have been affected by the publication in 2005 of new National Accounts estimates, with base year 2000 (CNE-2000). These estimates involve notable methodological changes, such as chain linking and the use of new estimation procedures and statistical sources [see Banco de España (2005)], along with the incorporation of data on the latest economic developments, which show a prolonged expansion of activity. Accordingly, it is worth examining the characteristics of the behaviour of the Spanish economy in recent decades in the light of this new evidence, and analysing the stability of these patterns over time.

### ***Stylised facts of the cycle in the period 1980-2005***

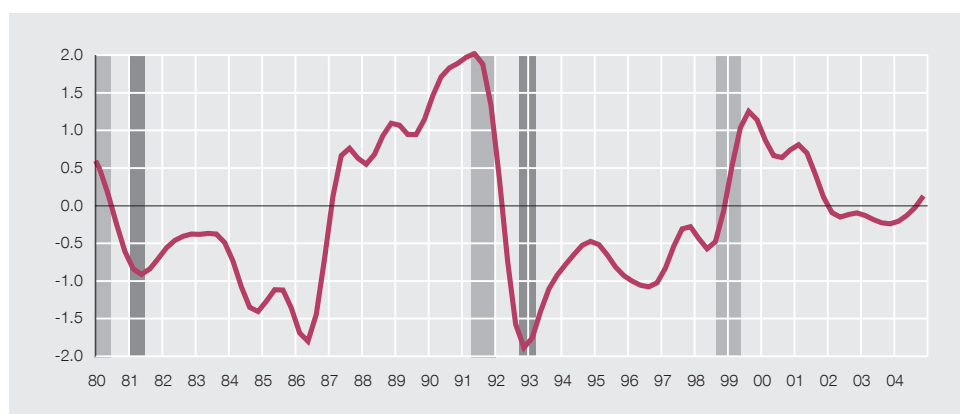
In general, the studies carried out to characterise the business cycle in Spain conclude that the Spanish economy displays similar features to those of the developed countries and, especially, of the countries that make up the euro area [see, for example, Dolado, Sebastián and Vallés (1993), Licandro and Puch (1997), Ortega (1998) and Lores (2001)]. In this section the same type of analysis is applied to the period 1980-2005, in order to clarify whether the new information available changes the features identified in the literature<sup>1</sup>. For this purpose, various statistics are examined which measure, on one hand, the magnitude of the fluctuations of the cyclical component of the main macroeconomic variables<sup>2</sup> (such as the standard deviation) and, on the other, their relationship with output fluctuations (such as the relative standard deviation of each variable with respect to that of GDP and its correlation with the latter).

The period studied begins in a phase of low growth, followed by a strong expansion (from 1986 to 1992) and another brief, but intense, recession which paved the way for the most recent cycle (see Chart 1). The expansionary phase of this cycle continues to the end of the sample period (2005 Q2), although the intensity of the rate of growth of output can be seen to have had various phases. From 1993 until approximately 2000 GDP grew at high rates, which reached more than 5% in the latter year. Thereafter, there was a slowdown in the rate of growth of output, to 2.7% in 2002, with a subsequent rebound to over 3%. The information on the path of this variable in the second half of 2005 and in the first few quarters of 2006 points to extension of the expansionary phase beyond the sample period considered<sup>3</sup>.

When analysing the main statistics describing the business cycle, certain features stand out (see Table 1). Thus, while economic theory suggests that private consumption should fluctuate less than output, reflecting the preference of households for a smooth intertemporal consumption pattern, in the case of Spain the variability of private consumption is seen to be

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1. The data used are seasonally adjusted quarterly data obtained from the Instituto Nacional de Estadística (National Institute of Statistics) and the Banco de España, spanning the period 1980 Q1-2005 Q2. The new CNE-2000 data begin in 1995 Q1, and have therefore been chained back to the year 1980 using the rates of change of the previous national accounts data, with base year 1995. 2. The cyclical component of each series on which these statistics are based is obtained by applying the filter proposed by Baxter and King (1995) to series in logarithms, except for those variables that may take negative values, such as the change in inventories and net exports (whose ratios to GDP are considered) and for the rate of inflation (which is incorporated in levels). 3. According to the dating of the Spanish cycle found in the literature for this period and using a variety of cyclical-component extraction methods (see for example that used by the Economic Cycle Research Institute), three peaks are identified (approximately in 1980, 1992 and 2000) and two troughs (in 1981 and 1993). There is uncertainty regarding the 2000 peak, since the literature has not coincided in identifying a trough since then, which may be interpreted as meaning that the expansionary phase is still continuing.



SOURCE: Banco de España.

a. Extracted applying the Baxter and King filter (1995). The shaded areas correspond to peaks (light grey) and troughs (dark grey) of the dated cycle.

greater than that of GDP<sup>4</sup>. This result has already been documented in other studies of the Spanish business cycle in previous periods and is not found in other countries. A possible explanation, highlighted by numerous studies of the determinants of private consumption in Spain<sup>5</sup>, is a greater presence, especially in the first part of the period analysed, of liquidity restrictions than in other economies, which is reflected in higher estimates of the elasticity of consumption with respect to disposable income than in other OECD countries. Also, the influence of household wealth on consumption has increased in recent years, which may have led this variable to fluctuate more relative to GDP. Private consumption is, moreover, strongly procyclical and has a contemporaneous relationship with output<sup>6</sup>, as seen in the other developed economies. Government consumption also displays greater cyclical fluctuations than output, and is moderately procyclical and contemporaneous with respect to the GDP cycle.<sup>7</sup>

Investment is the component of output that displays the greatest variability (four times that of GDP), as well as being strongly procyclical. This pattern of cyclical behaviour is obviously based on gross fixed capital formation, the main component of investment, as opposed to changes in inventories. Within gross fixed capital formation, residential investment is the component that fluctuates least, while public investment fluctuates almost seven times as much as output.

Imports and exports also display a high degree of variability, although net exports fluctuate less than output. Imports are highly procyclical, almost as much as consumption and investment, which means that net exports are countercyclical. This behaviour by the external sector over the cycle suggests that demand impulses and not supply ones have predominated in the Spanish economy over the past 25 years. In fact, positive demand impulses tend to increase both output and prices, leading to a deterioration in competitiveness. All this helps to make

4. Their variability is similar, however, when durables consumption, which has a very high standard deviation (almost five times that of GDP), is excluded. 5. See, for example, L'Hotellerie and Sastre (2005) and the references mentioned therein. 6. A variable is procyclical if its maximum correlation with output is positive, countercyclical if it is negative and acyclical if this correlation is not significant. On the other hand, the relationship of a variable to output is said to be contemporaneous, lagged or leading according to whether the maximum correlation of the variable in question with respect to GDP occurs without a lag, or with a lag or lead of one or more quarters, respectively. 7. The fact that it is procyclical should not necessarily be equated with a procyclical fiscal policy, since general government consumption does not include items such as transfers and subsidies. In fact, the cyclical correlation of government consumption with GDP does not follow any specific pattern in the developed economies, very often being not significant and close to zero.

	Standard deviation	Relative standard deviation (a)	Correlation with GDP (b)
GDP	0.94	1.00	1.00
Private consumption	1.14	1.21	0.86 (0)
General government consumption	1.24	1.32	0.50 (0)
Total investment	4.04	4.28	0.84 (0)
<i>Gross fixed capital formation</i>	3.62	3.84	0.84 (0)
<i>Changes in inventories</i>	0.34	0.36	0.29 (1)
Net exports	0.64	0.68	-0.51 (0)
<i>Exports</i>	2.35	2.49	-0.29 (4)
<i>Imports</i>	4.10	4.35	0.75 (0)
Gross value added:			
<i>Agriculture</i>	4.48	4.75	0.25 (0)
<i>Industry</i>	1.63	1.73	0.90 (0)
<i>Construction</i>	3.33	3.53	0.74 (0)
<i>Non-market services</i>	0.98	1.04	0.61 (0)
<i>Market services</i>	0.81	0.86	0.82 (0)
Employment	1.34	1.43	0.85 (0)
Total hours	1.59	1.68	0.77 (0)
Productivity	0.65	0.69	-0.46 (-3)
HICP inflation rate	0.73	0.78	0.31 (4)

SOURCE: Banco de España.

a. Relative standard deviation with respect to GDP.

b. Maximum correlation of each variable with GDP. The lag (positive) or lead (negative) with which

imports increase in line with activity, making them more procyclical, and acts as a disincentive to exports<sup>8</sup>.

If output is examined on the supply side, it can be seen that all sectors except services display greater variability than GDP. The productive branches, with the exception of agriculture, have a close contemporaneous relationship with aggregate output. As for the labour market, total employment is procyclical and more volatile than GDP, unlike in other countries, where its variability is usually less than or similar to that of output. This greater cyclical fluctuation of employment in Spain arises from the existence of rigidities in the functioning of the labour market (for example, the high dismissal costs for permanent contracts), which have meant that the adjustment of employment to the position in the cycle is basically made through more intensive use of temporary hiring rather than permanent hiring. This same reason also explains more intensive use of the number of hours worked under permanent contracts, as the high degree of variability of total hours worked in the economy shows. A final factor that may have contributed to the variability of employment being greater than that of GDP has been the large inflow of immigrants and the increase in female participation during the prolonged upturn of recent years, which has enabled the high growth in employment demand to be accommodated during this period.

At the same time, it is possible to conclude that apparent labour productivity is countercyclical, a general characteristic of European economies. Economic theory would interpret this fact as

8. On the other hand, a positive supply shock, besides increasing output, would reduce prices and improve competitiveness. This would stimulate exports while imports would fall.

further evidence of the predominance in this period of demand over supply impulses. On the one hand, real business cycle models, which assume that the main source of cyclical fluctuations is technological shocks, predict strongly procyclical productivity. On the other hand, Keynesian models attribute most cyclical fluctuations to demand impulses. Against this background, in the event of a demand stimulus (and taking into account the presence of diminishing marginal returns to labour) production will increase, albeit less sharply than employment, giving rise to a slowdown in productivity, which would display countercyclical behaviour.

Comparing these results with those obtained by other authors for Spain in a less recent period<sup>9</sup>, it can be seen that including the data for the most recent years in the analysis entails less variability in absolute terms for most of the variables studied. However, the standard deviations relative to GDP increase slightly or remain unchanged, since the magnitude of output fluctuations has also decreased in recent years. As regards the degree of correlation with the GDP cycle, the comparison with these same studies reveals a slight increase in these correlations for some variables, such as private consumption and, to a greater extent, imports, exports and employment. In this same respect, the literature which studies the common factors of international cycles<sup>10</sup> also finds an increase in the cyclical synchronicity between macroeconomic variables in the 1990s, which may be attributable to both the greater weight of common shocks which affect all the sectors of an economy and to stronger transmission of impulses from one sector to another.

The differences discerned in this article with respect to previous studies of the economic cycle in Spain may arise for two reasons: on one hand, the sample period subject to analysis is different and includes the two latest complete cycles and, on the other hand, there has been a change in the national accounts methodology incorporated in our series. The following sections analyse how each of these reasons affects the differences found.

### ***Recent changes in the characteristics of the cycle in Spain***

In order to analyse the changes over time in the cyclical regularities of the Spanish economy the abovementioned statistics have been calculated for two sub-samples: 1980 Q1-1992 Q4 and the 1993 Q1-2005 Q2. The end of the recession of the early 1990s is therefore taken as the cut-off point between the two sub-samples.

In qualitative terms, most of the stylised facts described for the sample as a whole do not change when each of these periods is analysed separately, but in quantitative terms the differences are appreciable. Thus, over the cycle that commenced at the beginning of the 1990s the fluctuations were considerably smaller. Moreover, an increase is appreciated in the synchronicity of numerous variables with the GDP cycle.

In particular, the most striking difference is the fall in the standard deviation of GDP in absolute terms, from 1.08 in the first sub-sample to 0.73 in the second (see Chart 2). This lower cyclical variability is a phenomenon observed in all the advanced economies in the 1990s and has been related in the literature to, among other causes, the decline in inflation rates associated with more effective monetary policies (following the introduction of explicit inflation targets and greater transparency in their implementation) and the lower incidence of large global shocks.

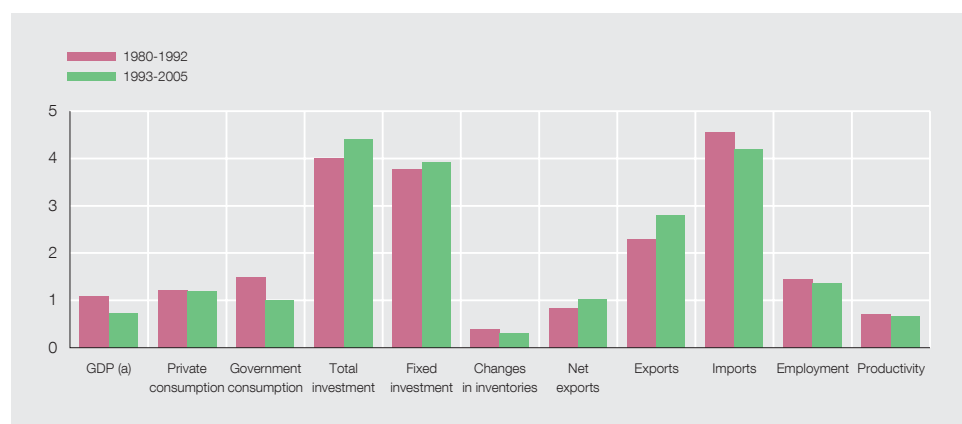
Private consumption displayed a lower standard deviation in the second period, but maintained its greater variability with respect to GDP, while its correlation with output remained high (see Chart 3). Government consumption became acyclical, as frequently happens among the

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9. The comparison is made with Lores (2001), who analyses the cyclical behaviour in the period 1970 Q1-1998 Q4, Ortega (1998), who evaluates the period 1973 Q1-1997 Q1, and Dolado, Sebastián and Vallés (1993), who study the period 1970 Q1-1991 Q4. 10. See, for example, Canova, Ciccirelli and Ortega (2004).

## RELATIVE CYCLICAL VARIABILITY WITH RESPECT TO GDP

CHART 2



SOURCE: Banco de España.

a. Standard deviation in absolute terms.

## CORRELATION WITH RESPECT TO GDP

CHART 3



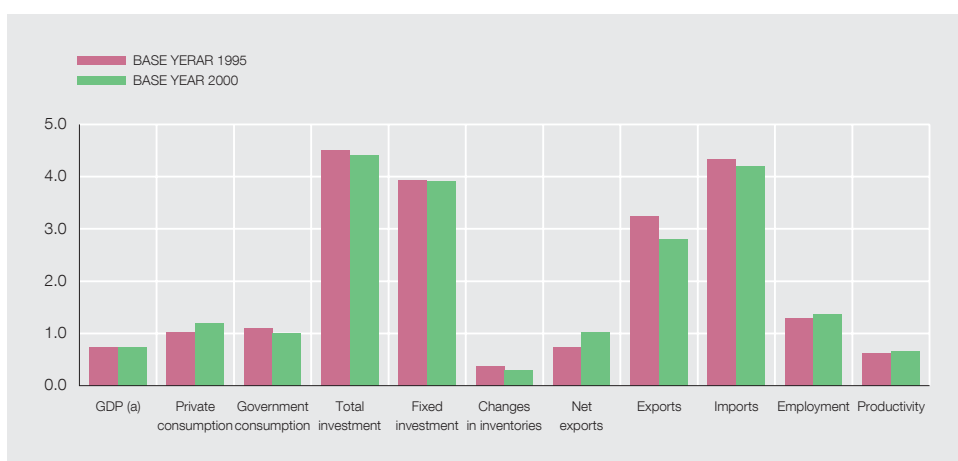
SOURCE: Banco de España.

developed economies. Real goods and services exports, which were slightly countercyclical in the first period analysed, became moderately procyclical in the second, this being linked to the greater openness of the economy in the more recent period and to the increase in cyclical synchronicity with the euro area countries, which are Spain's main trading partners<sup>11</sup>.

The variability of employment fell slightly in the most recent cycle, but it is still higher than that of GDP. The greater cyclical fluctuation of this variable in the 1980s may be related to the fact that most of the labour market adjustment was borne by employment, since wages hardly reacted to changes in economic conditions. In recent years, however, wages have shown greater sensitivity to cyclical movements, which has brought changes in employment more into line with those in output, although it continues to fluctuate less. At the same time, labour productivity became more countercyclical in the second period, which is probably associated with the fact that during the long expansionary phase of the most recent cycle, a significant part of the large increase in employment, principally based on the greater inflow of immigrants, has been concentrated in sectors with relatively low productivity levels.

11. See Buisán and Restoy (2006).





SOURCE: Banco de España.

a. Standard deviation in absolute terms.

### ***Changes attributable to the new base-2000 National Accounts***

To analyse how much of the differences found with respect to previous studies are attributable to the change in the National Accounts, the statistics calculated with the base-1995 National Accounts data have been compared with those of the CNE-2000. Since the sole source of data until 1995 Q1 was base-1995 accounts, the statistics that enable the cycle to be characterised have only been calculated for the second period analysed.

As seen in Chart 4, the differences found are not significant. The variability of GDP in the most recent cycle is the same with both base years, while the correlations between the variables and output are generally slightly lower with the CNE-2000. Among the features that change most with the new accounts are precisely the two that distinguish the regularities of the Spanish cycle most from those of other economies, since with the new base the cyclical fluctuations of private consumption and employment with respect to GDP increase. By contrast, exports and total investment are seen to have had a lower relative variability with CNE-2000, attributable, in the latter case, to a reduction in the variability of residential investment.

### ***Conclusions***

The empirical regularities in relation to the cyclical characteristics of the Spanish economy do not differ much, in general terms, from the evidence available for other countries, except as regards the fluctuations of private consumption and employment with respect to output, which are higher in the case of Spain. The greater variability of private consumption has been a traditional feature of the Spanish economy, reinforced in recent years by the presence of significant wealth effects on households (especially, as a result of the sharp rise in property values). As regards employment, the proportion of temporary employment in Spain, which is relatively high in comparison with other countries, is an important factor in explaining the magnitude of the fluctuations with respect to GDP.

In the more recent period (1993-2005), there was a significant reduction in cyclical fluctuations with respect to the previous period, as has been the case in other areas. The data also show greater synchronicity and cyclical correlation between many of the macroeconomic variables and GDP, in line with the evidence existing for other countries, including those of the euro area. Finally, the new base-2000 National Accounts data are found to have modified some of the features described, but have not entailed any significant qualitative changes. However, the future publication of a homogenous National Accounts series for 1980-2005, in which the period

1980-1995 will be estimated using the new National Accounts criteria, may modify some of these results.

20.11.2006.

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The authors of this article are Mario Izquierdo and Javier Jareño of the Directorate General Economics, Statistics and Research.

### **Introduction**

The potential growth of an economy is a key variable in economic analysis and economic policy decision-making, since it is the basic benchmark for assessing the cyclical position of the economy and for conducting a diagnosis of the macroeconomic policy stance. Potential output is defined as that level of production at which the economy can produce using available factors of production and existing technology without generating inflationary pressure. It can therefore be considered to describe how the supply side of an economy is working. Deviations of the observed production levels from the potential output tend to be related to the cyclical state of the economy, which in turn is influenced by demand conditions. This article updates the potential output estimates for the Spanish economy following the methodological changes to the National Accounts in 2005 – mainly concerning the change to base year 2000 – and to the Labour Force Survey (EPA) in the first quarter of the same year.

A basic problem faced in analysis of potential output is that it is an unobservable variable, and estimates of it are subject to a relatively high degree of uncertainty. This article uses a methodology based on the estimation of a production function which is also used by various international institutions such as the OECD and the European Commission (EC). The main advantage of this technique is that it is based on a theoretical approach not found in other purely statistical methodologies which limit themselves to smoothing the original GDP series. The use of a methodology based on a production function also makes it possible to analyse the contribution of the various factors of production to economic growth. That said, its main drawback is that it requires highly diverse information and an appreciable number of simplifying assumptions, which, as mentioned above, means that estimates of potential output are subject to high uncertainty. From this standpoint, to obtain a more complete picture of the potential growth of an economy, it is preferable to analyse the results using averages for sufficiently long time periods and, if possible, to have a range of estimates obtained from the use of different procedures.

The article is organised as follows: Section 2 describes succinctly the methodology used, Section 3 analyses the results obtained in terms of both potential growth and cyclical position, and Section 4 contains some brief final considerations.

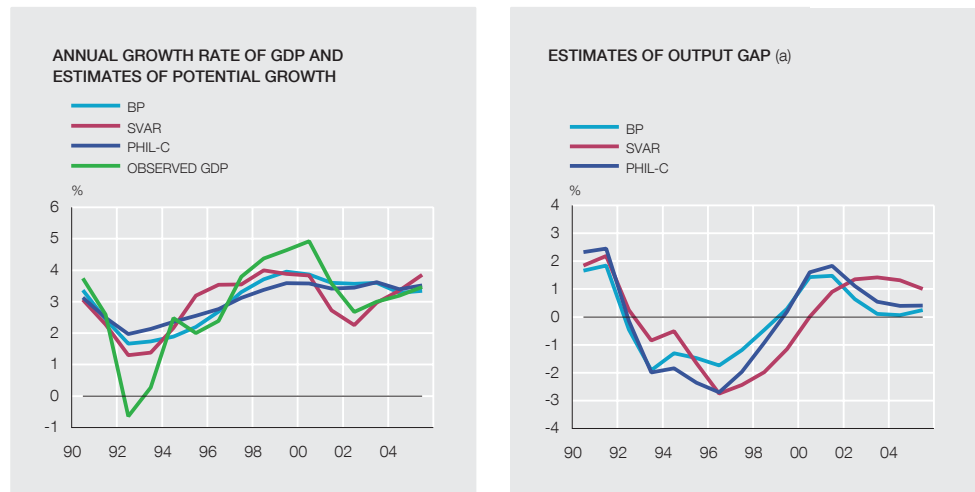
### **Brief review of the methodology used**

Methodology based on a production function needs to specify a particular form for this function and evaluate the factors of production at their potential values. In the case of the estimates presented in this article, the details of the methodology used can be consulted in Estrada et al. (2004) and the basic form is that of a Cobb-Douglas production function, as follows:

$$Y = AL^\alpha K^{1-\alpha} \text{TFP} \quad [1]$$

where Y denotes GDP, L employment, K the stock of capital, A is a scaling factor and TFP is total factor productivity. We estimate the potential output of the market economy and the potential output of the non-market economy is assumed to be always equal to its observed value, given the difficulty in defining a potential value for the production of this sector. The components of the production function are obtained as explained below<sup>1</sup>.

1. The labour elasticity of output ( $\alpha$ ) has been assigned the average value of the weight of employed persons' compensation in the nominal value added.



SOURCE: Banco de España

a. Output gap estimated as the percentage by which observed GDP deviates from potential output.

The potential value of the stock of capital is assumed, as customary in this methodology, to be equal to its observed value, given its high inertia. The capital stock of the total market economy was calculated by aggregating the estimated sectoral capital stocks and adding to the result the stock of residential capital. It is worth noting that the stock of public-sector capital does not form part of the total capital stock in this estimate, although its inclusion would not substantially change the results obtained.

Potential employment is estimated by applying an equilibrium unemployment rate (or NAIRU) to a measure of the potential labour force of the economy<sup>2</sup>. Three procedures were used to estimate the NAIRU, namely a band-pass filter (BP), a structural VAR model (SVAR) and a Philips curve<sup>3</sup>; this was done so as to have various alternative measures of the potential employment of the Spanish economy. These measures, estimated using the EPA, are adjusted to express them in terms of the market economy employment estimated in the National Accounts in terms of hours worked.

Finally, total factor productivity (TFP) is evaluated in potential terms from the original series, smoothed to eliminate transitory fluctuations. The original series is in turn estimated as a residual of the production function described in [1] evaluated at the observed values, i.e. as that part of GDP growth not explained by the growth of labour and capital. This way of estimating TFP means that its behaviour may be influenced by the measurement and estimation errors made during the estimation process.

## Results

### ESTIMATES OF POTENTIAL GROWTH

The left-hand panel of Chart 1 shows the estimates of potential GDP growth based on the methodology described in the preceding section, for each NAIRU measurement used, together with GDP growth since 1990. It can be seen, firstly, that the different estimates move similarly, tending to smooth the observed GDP behaviour, although in certain periods there are discrepancies between them. For example, the estimate obtained with the NAIRU based on a

2. This potential labour force is calculated by applying to the working-age population, drawn from the EPA, a potential participation rate estimated from a regression which relates the observed participation rate to the unemployment rate for the purpose of eliminating cyclical fluctuations in the observed participation rate. 3. For a description of the different methodologies and the results obtained, see Izquierdo and Regil (2006).

	Average 1991-2000	Average 2001-2005	2000	2001	2002	2003	2004	2005
BP NAIRU	2,7	3,5	3,9	3,6	3,6	3,6	3,3	3,3
SVAR NAIRU	2,9	3,0	3,8	2,7	2,3	3,0	3,3	3,9
PHIL-C NAIRU	2,8	3,5	3,6	3,4	3,4	3,6	3,4	3,5
EXTERNAL ESTIMATES (a)								
OECD	(b)	3,5	3,9	3,4	3,4	3,6	3,3	3,3
European Commission	(b)	3,8	(b)	3,6	3,8	3,9	3,9	3,8

SOURCES: European Commission, OECD and Banco de España.

a. Implied potential growth estimated from published observed growth and output gap data.

b. Data not available.

SVAR model is for lower potential growth from 2000, although it shows a sharp acceleration in the later stages of the sample period, reaching a rate of 3.9% in 2005. Indeed, this estimate exhibits a variability that is four times that of the potential output estimate based on Philips-curve NAIRU. If we focus on the most recent period, the three available estimates indicate that GDP growth in 2005 and in the first three quarters of 2006 is very close to the potential growth of the Spanish economy.

However, as mentioned above, any given estimate of potential growth is subject to high uncertainty. For this reason, we analyse simultaneously the results obtained by different procedures for the average of various years. Thus, from 2001 to 2005 the potential growth of the Spanish economy was between 3% and 3.5%, as can be seen in Table 1. These estimates represent a potential growth rate higher than that estimated for the 1990s, for which the three procedures used yield a lower potential growth of 3%. As shown in Table 1, these estimates are broadly similar to those published by international institutions such as the OECD and the European Commission (EC), which use a similar methodology. Specifically, the OECD estimates average potential growth for the last five years of 3.5%, while the EC raises this figure to 3.8%.

Potential growth in recent years has been underpinned by a highly positive contribution from the two factors of production (labour and capital), whereas the behaviour of TFP has contributed negatively to the potential growth of the economy. As seen in Table 2, the contribution of capital to potential growth of the market economy in the period 2001-2005 with respect to the 1990s increased by 0.6 percentage points, while that of labour rose by 0.7 percentage points (according to estimates based on BP NAIRU and Philips-curve NAIRU). For its part, the contribution of TFP decreased over these two periods by 0.7 percentage points, and in fact made a negative contribution in the last five years.

Table 3 analyses in more detail the reasons why potential employment has increased so notably in the last five years, doubling its annual average growth rate in this period and reaching nearly 4% in two of the estimates reported in this article. Such a favourable employment performance in potential terms was made possible, firstly, by the higher population growth rate, which rose from an annual average of 0.7% in the 1990s to 1.7% per annum between 2001 and 2005. As is well known, this higher population growth is due to the influx of immigrants, who have gone from 1.6% of the total population in 1998 to nearly 10% in 2006, according to the latest data of the Municipal Census of Inhabitants. Secondly, potential employment was boosted by the sharp increase in the number of people entering the labour market. In the last

	Average 1991-2000	Average 2001-2005	2000	2001	2002	2003	2004	2005
POTENTIAL GDP BASED ON BP NAIRU	2,7	3,5	3,9	3,6	3,6	3,6	3,3	3,3
Potential market GVA	2,7	3,4	3,9	3,8	3,7	3,2	3,2	3,1
<i>Capital</i>	1,2	1,8	1,8	1,8	1,7	1,7	1,8	1,8
<i>Employment</i>	1,1	1,8	2,1	2,2	2,2	1,7	1,6	1,4
<i>TFP</i>	0,5	-0,2	0,0	-0,1	-0,2	-0,2	-0,2	-0,1
POTENTIAL GDP BASED ON SVAR NAIRU	2,9	3,0	3,8	2,7	2,3	3,0	3,3	3,9
Potential market GVA	3,0	2,8	3,8	2,6	2,0	2,4	3,2	3,7
<i>Capital</i>	1,2	1,8	1,8	1,8	1,7	1,7	1,8	1,8
<i>Employment</i>	1,3	1,3	2,0	1,0	0,5	0,9	1,7	2,0
<i>TFP</i>	0,5	-0,2	0,0	-0,1	-0,2	-0,2	-0,2	-0,1
POTENTIAL GDP BASED ON PHIL-C NAIRU	2,8	3,5	3,6	3,4	3,4	3,6	3,4	3,5
Potential market GVA	2,8	3,4	3,5	3,6	3,5	3,3	3,3	3,3
<i>Capital</i>	1,2	1,8	1,8	1,8	1,7	1,7	1,8	1,8
<i>Employment</i>	1,1	1,8	1,7	1,9	2,1	1,7	1,7	1,6
<i>TFP</i>	0,5	-0,2	0,0	-0,1	-0,2	-0,2	-0,2	-0,1

SOURCE: Banco de España.

five years, the potential labour force has grown between 3.1% and 3.4%, according to different estimates, thanks to the upward trend in the participation rate, which is a result of the greater labour participation rate of the foreign population and of the progressive increase in the female participation rate.

Finally, the estimated decrease in the structural component of unemployment or NAIRU has also contributed to the rise in potential output. The NAIRU is estimated to have fallen appreciably since 2000 to levels near the observed level of unemployment. This decrease in the NAIRU has meant that the observed drop in unemployment has not been accompanied by the appearance of inflationary pressure in the labour market that would have considerably inhibited job creation.

#### CYCLICAL STATE OF THE ECONOMY

To characterise the cyclical state of the economy, it is useful to calculate the output gap, which is simply the difference between the observed GDP and the estimated potential GDP. This measure allows us to quantify the extent to which an economy's observed production is above or below its potential level and, therefore, whether or not inflationary pressure can be expected to appear. The output gap estimates derived from the three potential GDP estimates mentioned in the preceding section are shown in the right-hand panel of Chart 1.

In general, the available estimates coincide in pointing to a positive gap in the last five years. This suggests that, despite the improvement in potential growth in this period, the observed strong economic growth has raised the level of production above what is estimated to be its potential level. This positive gap originates from the economic recovery in the second half of the 1990s and, after peaking around 2000, has remained relatively stable in recent years, since, taking into account at all times the high uncertainty of these estimates, the observed growth has been very close to potential growth.

#### Final considerations

Estimating the potential growth of an economy is a relatively complex task, since it requires a wide variety of information and, in the final instance, the specific estimates are subject to a high degree of uncertainty. With these reservations, the results reported in this article indicate that the Spanish

	Average 1991-2000	Average 2001-2005	2000	2001	2002	2003	2004	2005
<b>BP NAIRU</b>								
Potential market economy employment	2,0	4,0	3,9	4,0	4,2	4,1	3,9	3,9
<i>Population aged 16-64</i>	0,7	1,7	1,0	1,3	1,7	1,8	1,8	1,8
<i>Potential labour force</i>	1,9	3,4	2,9	3,1	3,5	3,5	3,4	3,4
<i>NAIRU</i>	-0,1	-0,6	-0,9	-0,8	-0,7	-0,7	-0,5	-0,5
<b>SVAR NAIRU</b>								
Potential market economy employment	2,4	3,0	3,8	1,9	1,2	2,6	4,1	5,1
<i>Population aged 16-64</i>	0,7	1,7	1,0	1,3	1,7	1,8	1,8	1,8
<i>Potential labour force</i>	2,0	3,1	2,9	2,4	2,5	3,1	3,5	3,8
<i>NAIRU</i>	-0,3	0,0	-0,9	0,6	1,2	0,2	-0,7	-1,2
<b>PHIL-C NAIRU</b>								
Potential market economy employment	2,1	4,0	3,2	3,6	3,9	4,2	4,2	4,3
<i>Population aged 16-64</i>	0,7	1,7	1,0	1,3	1,7	1,8	1,8	1,8
<i>Potential labour force</i>	2,0	3,4	2,7	3,0	3,4	3,5	3,5	3,5
<i>NAIRU</i>	-0,2	-0,6	-0,5	-0,5	-0,6	-0,6	-0,7	-0,7

SOURCE: Banco de España.

economy's potential growth rate, expressed as the average for the last five years, has risen to 3.5%, nearly half a percentage point higher than the estimated potential growth in the 1990s.

This improvement in potential growth reflects the buoyancy of investment in this period and the notable growth of potential employment, which was boosted by a sharp rise in the labour supply derived from the population increase – as a result of immigration – and from the rising female participation rate. Also, the decrease in the NAIRU has been an additional factor in explaining the positive trend in potential employment. This favourable diagnosis regarding the sources of potential growth in recent years is only clouded by the poor behaviour of TFP, which may point to structural problems of the economy, although, in view of the residual nature of the estimate, its performance may also reflect accumulated errors in measurement of the various productive inputs.

Regarding the cyclical state of the Spanish economy, the results obtained indicate that the level of production in the last five years has been above what is estimated to be its potential level. This is compatible with the existence of inflationary pressure derived from the strength of demand.

As regards the coming years, the high potential growth rates have to be sustained, despite the above cautions, by more favourable behaviour of TFP. Of key importance in achieving this is the execution of structural reform policies designed to eliminate inefficiencies in general market operation and continue raising the employment rate of the economy, both by further increases in the participation rate and by additional decreases in the equilibrium unemployment rate (NAIRU).

22.1.2007

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### **Introduction**

In 2006 Q4 the new legislation of a financial nature was less abundant than in the same period of previous years.

Two guidelines of the European Central Bank (ECB) were published: one on monetary policy instruments and procedures in the euro area which amends the single list of collateral eligible for Eurosystem credit operations; and the other updating the accounting criteria to be used by the European System of Central Banks (ESCB) for recording certain transactions.

The Banco de España established the general provisions applicable to the ordinary cash service for euro banknotes, the purpose being to establish the general framework to which this service will be subject.

In the securities market, legislation was promulgated on the prospectuses of collective investment institutions. It specifies a new prospectus format adapted to the requirements of the Law and its implementing regulations for these institutions, and gathers together in a single text the previously disperse rules and regulations on prospectuses.

In the fiscal area, there was an in-depth reform of personal income tax, basically to improve equity and social cohesion, promote uniform taxation of saving and address problems derived from aging and dependency. In line with this, changes were also made to corporate income tax and other taxes. In addition, a law intended to combat tax fraud was enacted.

Furthermore, as is customary in this period, the new developments – mainly of a monetary, financial and tax nature – contained in the State budget for 2007 are analysed.

Finally, two other provisions of economic and social interest were published. The first relates to the new system of consumer price indices with base year 2006, which supersedes the previous one with base year 2001; and the second introduces a set of measures to increase the protection of consumers and users.

### **Monetary policy instruments and procedures of the Eurosystem**

*A Guideline of the European Central Bank (ECB/2006/12)* of 31 August 2006 (OJ of 13 December 2006) amending Guideline ECB/2000/7 on monetary policy instruments and procedures of the Eurosystem was published in order to add non-marketable assets to the single list of collateral eligible for Eurosystem credit operations. The Guideline establishes that national central banks (NCBs) should have sent to the ECB by last 20 September details of the texts and means by which they intend to comply with this Guideline, which came into force last 1 January.

### **Legal framework for accounting and financial reporting in the European System of Central Banks**

*Guideline of the European Central Bank (ECB/2006/16)* of 10 November 2006 (OJ of 11 December 2006) on the legal framework for accounting and financial reporting in the ESCB, which substantially updates the Guideline of the European Central Bank (ECB/2002/10) of 5 December 2002, was published. This Guideline stipulates that from 1 January 2007 the ESCB will use the economic approach to record foreign exchange transactions, financial instruments denominated in foreign currency and related accruals. It establishes two different techniques to apply this approach, namely the regular approach and the alternative approach, which are set out in the annexes to the Guideline. Securities transactions denominated in foreign currency may continue to be recorded according to the cash/settlement approach. The related accrued interest including premiums or discounts shall be recorded on a daily basis from the spot settlement date.

NCBs may use the economic approach or the cash/settlement approach to record all transactions, financial instruments and related accruals denominated in euro.

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ordinary cash service  
for euro banknotes***

Pursuant to Council Regulation (EC) No 1338/2001 of 28 June 2001 laying down measures necessary to protect the euro against counterfeiting and in accordance with the general framework of the ECB for the Eurosystem approved in December 2004, the Banco de España is responsible for issuing euro banknotes in Spain. In particular, it provides a service to credit institutions consisting of the delivery, exchange and withdrawal of banknotes. In providing this cash service, the Banco de España has to ensure optimum quality of banknotes in circulation.

In accordance with this responsibility, the *Resolution of 27 October 2006* (BOE of 23 November 2006) of the Banco de España Executive Commission approving the general terms and conditions applicable to the ordinary cash service for euro banknotes was passed in order to establish the general framework to which this service will be subject.

For this service to be provided to it, a credit institution must apply in writing to the Banco de España, expressly stating that it agrees to the general terms and conditions. From that time the credit institution using the service ("user credit institution") may request the delivery of or apply for a certain number of banknotes, as and when determined by the Banco de España. The user credit institution may only put into circulation banknotes found to be genuine and in good condition in the controls defined in these general terms and conditions and may only do so in the actions specified for this purpose by the Banco de España.

Furthermore, the Resolution sets out the conditions for putting banknotes into circulation and sorting them by means of ATMs, by means of other devices operated by the customer (with the user credit institution taking responsibility for loading them only with banknotes that are genuine and in good condition), or by means of direct delivery to the public by user credit institution employees with an expert knowledge of banknotes.

The user credit institutions are obliged to deliver to the Banco de España all banknotes not in the minimum condition required for them to be put back into circulation. Also, they shall retain and hand over to the Banco de España all presumably counterfeit banknotes that they may detect in the course of their activity.

In addition, the Banco de España resolution addresses cases of non-compliance or defective compliance by a user credit institution with the obligations under the aforementioned general terms and conditions, the effects of such non-compliance and the circumstances in which the provision of the ordinary cash service may be terminated.

Finally, the Banco de España may temporarily establish different degrees of compliance by user credit institutions with the obligations under the aforementioned terms and conditions. For this purpose it may set timetables which shall always have 31 December 2010 as the deadline for total compliance.

***Prospectuses of collective  
investment institutions  
(CIIIs)***

Law 35/2003 of 4 November 2003<sup>1</sup> on CIIIs significantly amended the legal regime of these institutions. Subsequently, Royal Decree 1309/2005 of 4 November 2005<sup>2</sup> approving the implementing regulations of Law 35/2003, specified, inter alia, the minimum content of the full and simplified prospectuses and established the procedure for issuing and updating them.

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1. See "Financial regulation: 2003 Q4", *Economic Bulletin*, January 2004, Banco de España, pp. 84-87. 2. See "Financial regulation: 2005 Q4", *Economic Bulletin*, January 2006, Banco de España, pp. 112-116.

Recently, CCNMV 3/2006 of 26 October 2006 (BOE of 22 November 2006) on the prospectuses of CII, hereafter “the Circular”, was published by the CNMV. It sets out a new prospectus format meeting the requirements of Law 35/2003 on CII and its implementing regulations. In order to avoid the dispersion of regulations, the Circular gathers together in a single text the rules on CII prospectuses previously contained in CCNMV 1/1999 of 14 January 1999 and in CCNMV 1/2001 of 18 April 2001.

In outline, the Circular, in addition to regulating the minimum content of CII prospectuses, continues the process of shortening the simplified prospectus so that it can be used as a true marketing tool, through the simplification and standardisation of the information offered.

Accordingly, the management company, for each of the funds managed by it, and the investment companies have to publish a full prospectus and, in addition, a simplified prospectus which shall be attached to the full prospectus as a removable part of it. Prospectuses of CII that are divided into investment compartments shall include an annex on each compartment. Where they exist, the prospectus shall give information on the various classes of units or series of shares.

Both the full prospectus and the simplified prospectus must include all the information required to enable investors to make an informed judgement of the investment proposed to them and the risks entailed. The simplified prospectus must be written in a way so as to be easily understood by the average investor.

In any event, the CNMV may establish specialities within each prospectus format when needed to aid comprehension, based on the different types and categories of CII. It may also require the CII or, where applicable, their managers and custodians to include in the prospectuses any additional information, warnings or explanations that it considers necessary to properly inform and protect investors and ensure market transparency.

The obligation to deliver the prospectus prior to subscription of CII units or shares will be deemed to be met by the delivery of a hard copy of the simplified prospectus, if any, relating to the class of unit or series of share in question. However, if subscription is via the Internet, the simplified prospectus must be made available on the marketer's website and the investor required to access it and declare that he has obtained this documentation before making the investment.

Additionally, the Circular establishes the manner and procedure for submitting CII prospectuses to the CNMV for verification or registration, and it stipulates the subsequent updates of prospectuses, which will be required only if what the Circular deems to be essential elements are changed. It also empowers the CNMV to make ex officio updates and to include specific instructions in the form or format of the documentation to be sent by CII when the changes affect the prospectus of various CII managed by a single management company or having the same custodian.

Finally, the Circular regulates the obligation to individually inform unit holders of certain changes.

## ***Reform of personal income tax, corporate income tax and other taxes***

### **INTRODUCTION**

The previous personal income tax reforms contained in Law 40/1998 of 9 December 1998<sup>3</sup> and Law 46/2002 of 18 December 2002<sup>4</sup> reduced the tax rates and the number of tax brackets, replaced tax credits for personal or family circumstances with tax deductions and largely maintained the diversity of the treatment of saving mechanisms.

3. See “Financial regulation: 1998 Q4”, *Economic Bulletin*, January 1999, Banco de España, pp. 105-107. 4. See “Financial regulation: 2002 Q4”, *Economic Bulletin*, January 2003, Banco de España, pp. 16-18.

*Law 35/2006 of 28 November 2006* (BOE of 29 November 2006) on personal income tax and partially amending the corporate income tax, non-resident income tax and wealth tax laws was published recently.

PERSONAL INCOME TAX: KEY  
FEATURES OF THE REFORM

The basic aims of the reform are to improve the fairness of tax treatment and aid economic growth, while at the same time ensuring sufficient finance for general government, to enhance uniform taxation of saving and to address, from the tax standpoint, the problems deriving from aging and dependency.

In pursuit of these goals, the threshold of income not subject to taxation was raised from €3,400 to €9,000 per annum. Also, the individual minimum was raised from €3,400 to €5,050. As a new development, for taxpayers over age 65 this minimum is increased by €900 per annum and for those over age 75 it is increased additionally by €1,100.

The number of tax brackets is reduced from five to four, the maximum marginal rate is reduced from 45% to 43% and the minimum margin rate is increased from 15% to 24%.

One of the main new developments is a more neutral treatment of income derived from saving (whether it be investment income or capital gains or losses) which eliminates a good part of the differences between the various saving instruments. To this end, the Law includes all income deemed to arise from saving in a single base taxed at a flat rate of 18%. This rate is the same for all income from savings and does not depend on the time over which it arose, the income level of the taxpayer or the type of asset. Previously, capital gains arising in the year were taxed at the taxpayer's marginal rate and other capital gains at 15%.

Under Community law, dividends have to receive the same tax treatment regardless of whether they come from a domestic source or from another member country of the European Union. The rule on integration of dividends disappeared and, consequently, so did the tax credit for double taxation of dividends. It was replaced by an exemption for those not exceeding a total amount of €1,500.

To address the problems deriving from aging and dependency, the Law retains the tax incentives designed to encourage arrangements for income other than government pensions or to provide coverage against certain risks. For this purpose, it encourages the development of private pension schemes outside the basic Social Security system.

However, the limits on reductions for contributions to social insurance systems, including pension schemes, were changed. The ceiling is now the lower of the following amounts:

- a) 30% of the sum of net earned income from employment and from economic activities received individually in the year. This percentage can reach 50% for taxpayers over age 50. This proportional limit had been removed in the previous tax reform and has now been reinstated.
- b) €10,000 per annum (previously €8,000), although in the case of taxpayers over age 50, the amount will be €12,500. Therefore, this Law eliminates the age brackets established by previous tax law for taxpayers over age 52 permitting an additional €1,250 per year, up to a limit of €24,250 for pension scheme members, mutual insurance society members or insureds aged 65 or more.

Also, the Law reduces the overall limit for employer contributions to pension schemes by the sponsors of occupational pension schemes and for the individual contributions to individual

pension schemes, the overall limit on which was previously €16,000, extendable up to €48,500 for persons aged over 65. Under the new tax rules, the overall limit may not exceed €10,000 or, where applicable, €12,500 per year.

The reductions for contributions to social insurance systems set up for disabled persons have been raised from €8,000 to €10,000 for those made by relatives or guardians, and a limit of €24,250 remains in place on the annual contributions by all persons making contributions for a particular disabled person, including those made by the disabled person himself. The Law eliminates the reduction of 40% previously in place for lump-sum pension scheme benefits, although retains it for vested amounts arising from pension scheme contributions made up to 31 December 2006.

Additionally, among other things, the Law pursues three important avenues for strengthening social insurance and dependency systems: the granting of tax benefits to occupational social insurance schemes (PPSE), the creation of the so-called individual systematic saving scheme (PIAS) and dependency insurance.

The contributions by workers to PPSE schemes, including those of the holder, are tax deductible subject to certain requirements and up to the same limits set for pension schemes and funds.

The PIAS saving schemes take the form of policies with insurance companies, which use the funds received to set up a life annuity provided that certain requirements are met. The ceiling on the premium payments is €8,000 per annum and is not affected by the limits on contributions to social insurance systems. The cumulative total of the premiums under these policies may not exceed €240,000 per taxpayer. This product seeks to foster long-term saving by offering a life annuity from the accumulated principal, although it will work differently from the others because it lacks an entry incentive. Regulations governing the economic rights under these schemes will be passed.

The dependency insurance regulations mark the first time that tax incentives have been used to encourage the private insurance of dependency. Two types of benefits have been established: those for people who wish to cover the risk of severe or considerable dependency, and those for people already in a state of dependency, to enable them to exploit their real estate wealth to provide them with a flow of income to meet their economic needs.

The tax incentives for the purchase of principal residence were reduced moderately since, although the deduction of 15% continues to apply to the same base, with a ceiling of €9,015, the Law eliminates the higher percentages of 25% and 20% permitted under the former personal income tax rules in the case of purchases financed by a housing loan. Finally, the deduction for construction work and adaptation of principal residence to the needs of disabled persons will be 20% of a maximum base of €12,020.

#### CHANGES IN CORPORATE INCOME TAX AND IN OTHER TAX REGULATIONS

The corporate income tax rules in Legislative Royal Decree 4/2004 of 5 March 2004 introduced the following changes. First, the standard tax rate of 35% is gradually reduced by five percentage points over two years to 32.5% in 2007 and 30% in 2008. Similarly, the tax rate of oil exploration, research and exploitation companies is being reduced by five percentage points over two years to leave it at 35% in 2008. In addition, the reform pays special attention to small and medium-sized enterprises as a dynamism force in economic activity, and reduces their tax rates by five percentage points in a single year, such that from 2007 their tax rate will be 25% for that part of their tax base not exceeding a certain amount, and 30% for the excess over that amount.

Second, the reduction of the tax rate will be accompanied by the progressive elimination of certain rebates and deductions having a distorting effect, but not of tax credits for double taxation, thereby increasing the fairness of the tax. However, the tax credit for reinvestment of extraordinary income will be retained and constraints imposed to ensure investment in productive activities.

Most tax deductions and credits will be gradually reduced and are scheduled to completely disappear in 2011. Meriting special mention is the tax credit for research and development and technological innovation, which will remain in place for another five years. Its structure will not change, although the percentages deductible will be reduced in the same proportion as the tax rates are diminished. The aim is to enable firms to adapt their investment policies to the new framework of government aid to promote these activities, since the reform introduces a new mechanism as an alternative to tax credits which is designed to encourage these same activities, consisting of tax relief on the Social Security contributions for research personnel. Further, the investment tax credit for establishment of firms abroad will be abolished in 2007, since other means of promoting the internationalisation of companies are envisaged.

The withholding or prepayment rate under corporate income tax is set at 18%, in line with the new tax rate on savings income under personal income tax.

As regards changes to the wealth tax governed by Law 19/1991 of 6 June 1991, the special regime for asset-holding companies is abolished, although the exemptions for holdings in listed or unlisted firms remains in place, provided that certain conditions are met<sup>5</sup>. Also, the gross amount payable under wealth tax, together with the gross amount payable under personal income tax, cannot, as under the previous regulations, exceed 60% of the sum of the general and savings tax bases under personal income tax.

Regarding the tax on the income of non-residents approved by Legislative Royal Decree 5/2004 of March 2004, changes were made to the standard rates and to those applicable to permanent establishments and to savings income, so as to adapt them to the modifications made in the aforementioned taxes.

The Law comes into force on 1 January 2007. For the purposes of personal income tax, this Law will be applicable to income obtained from 1 January 2007 declarable under the Law, in accordance with the inter-period timing criteria stipulated in current legislation.

### **Measures to prevent tax fraud**

*Law 36/2006 of 29 November 2006* (BOE of 30 November 2006) on measures to prevent tax fraud was enacted to approve certain regulatory changes aimed at preventing tax fraud. These changes, which mostly form part of the Plan to Prevent Tax Fraud, involve the adoption of measures that, because of their nature, have to be implemented at the level of a law.

First, in regard to value added tax (VAT), a new case of *secondary liability* is established for a party acquiring goods arising from fraud in which VAT was not paid in a previous phase. The purpose is to discourage the purchase of goods at prices below cost.

Also, in order not to lessen the possibility of investigation of tax crime, the step involving a preliminary hearing before the commencement of legal proceedings has been abolished. This was done because it represented a privilege of tax crime over other types of crime, since in no other offence of a public nature is the related accusation or action subject to a preliminary hearing.

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5. These conditions are set out in Corporate Income Tax Law 43/1995 of 27 December 1995, and now transferred to Law 19/1991.

A major concern of this Law is *real estate sector* fraud, where the changes address the obtainment of information to better monitor transfers and effective use of real estate assets. For this purpose, the Law makes it compulsory for parties to disclose their taxpayer identification number (NIF) and the means of payment in notarial deeds relating to acts and contracts involving real estate assets. The effectiveness of these legal prescriptions is assured by making them a prerequisite for registering these deeds with the Property Register.

Regarding the prevention of fraud exploiting the lack of information and opacity typical of *tax havens and other zero-tax territories*, the scope of application is broadened. To this end, two new concepts were added to the current system based on the list of tax havens set forth in Royal Decree 1080/1991 of 5 July 1991: zero taxation and effective exchange of tax information. This change provides that those entities theoretically domiciled in zero-tax territories or tax havens are presumed to be resident in Spain if most of their assets are in Spain or if their main activity is carried out in Spain, unless the entity provides evidence that its address and effective management are located in that country or territory. Also, provision is made for the possibility of acting directly against custodians or asset managers of residents in tax havens to enforce their secondary liability for the tax debts of the latter.

Meriting particular mention is the reform of the law on *related party transactions* under both direct and indirect taxation. In regard to direct taxes, this reform has two aims: the first relates to the valuation of these transactions at market prices. The acquisition cost at which these transactions are to be recorded is the amount that would be agreed by independent persons or entities in an arm's length transaction, defined as the market value if a representative market exists, or, otherwise, the value obtained by applying certain generally accepted models and techniques (profit distribution method, or net margin on total transactions) in conformity with the principle of prudence. In this respect the tax authorities may adjust this book value if they consider that the normal market value differs from that agreed by the related persons or entities, with regulation of the tax consequences of the possible difference between the two values. The second aim is to adapt Spanish legislation on transfer prices to the international setting, while at the same time ensuring that checks are more reliable, this being done by regulating the taxpayer's obligation to document the determination of the market value agreed in the related party transactions in which the taxpayer takes part.

Regarding the law on related party transactions under indirect taxation, the VAT regulations are expanded by the addition of certain cases in which the parties to a transaction are presumed to be related, in which case the tax base will be the normal market value.

Further, this reform fosters the mechanisms of taxpayer co-operation with the tax authorities in that it makes for a more flexible system of prior valuation agreements and it introduces specific legal regulation of mutual agreement procedures which will enable them to be implemented in future laws.

Finally, other measures have been put in place to prevent different acts of fraud. Hence, as a means of controlling the billings of sole proprietors declared under the "objective estimation" heading of personal income tax, the Law requires withholdings to be made whenever they operate with other sole proprietors or professionals. More generally, the effects of revocation of a taxpayer identification number (NIF) are broadened and the necessary powers are granted for regulatory determination of the cases in which tax-related books and registers have to be provided electronically on a periodic basis.



## **State budget for 2006**

Following the usual practice in December, *Law 42/2006 of 28 December 2006* on the State budget for 2007 (BOE of 29 December 2006) was published.

The budget law for 2007 persists in the objective of rationalising the budgetary process through improved systematisation. In this respect, the budget law addresses the economic and financial organisation of the State public sector and the organisation of its accounting and control systems, and, in regard to efficiency and efficacy, establishes a management-by-objectives model to reduce rigidity in the execution of appropriations and fully assumes the principle of responsibility of management centres in budget execution.

From the standpoint of financial regulation, the following monetary, financial and fiscal sections call for comment:

Following the usual practice in relation to State debt, the government is authorised to increase the outstanding State debt in 2007, subject to the condition that it shall not exceed the level at the beginning of the year by more than €10,675.28 million. This limit may be exceeded during the course of the year with the prior authorisation of the Ministry of Economy and Finance, and those cases in which it shall be automatically revised are established.

With regard to personal income tax, for the purpose of calculating the capital gains on property, the coefficients for adjusting acquisition cost have been raised by 2%. Also, the provisions are established that enable the loss of tax benefits, with respect to those established in the personal income tax law 18/1991 of 6 June 1991, by certain taxpayers, such as lessees and purchasers of principal residences, to be offset with the current personal income tax law.

In relation to corporate income tax, the measures are, as in the case of personal income tax, those with annual effectiveness referred to by the corporate income tax law. Thus, the coefficients applicable to real assets, to enable an adjustment to be made for monetary depreciation upon their transfer, are updated. Also, the manner of determining the advance payments of the tax in 2007 is determined. Finally, in relation to local taxes, the rateable values of properties are raised by 2%.

Other provisions of a financial nature relate to the legal interest rate, which is raised from 4% to 5%, and default interest, up from 5% to 6.25%.

## **New system of consumer price indices**

The Spanish National Statistics Institute has been formulating the consumer price index systems since 1939. Since then, the changes in consumers' habits have required periodic changes in the structure of weightings and in the calculation methodology, which have been reflected in the various consumer price index systems that have been used in Spain, the latest dating from 2001.

Recently, *Ministerial Order EHA/3804/2006 of 29 November 2006* (BOE of 15 December 2006) established a new system with base year 2006 which takes account of changes in household consumption habits and of the methodological improvements in the compilation of indices, which tend to be increasingly similar to the methodologies applied in the other EU Member States.

## **Enhanced protection of consumers and users**

In compliance with a recent sentence by the Court of Justice of the European Communities<sup>6</sup>, and to raise consumer protection in different areas, *Law 44/2006 of 29 December 2006* (BOE

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6. The sentence declared that Spain had failed to comply with its obligations under Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts.

of 30 December 2006) on enhanced protection of consumers and users, amending General Consumer and User Protection Law 26/1984 of 19 July 2006, was published.

To avoid subjecting consumers to onerous or disproportionate obstacles to the exercise of the rights recognised in a contract, any terms hindering the exercise of those rights are prohibited, particularly the imposition of excessively long time periods or constraints that exclude or hinder a consumer's right to terminate the contract.

In this same connection, in order to eliminate practices that hinder a consumer's right to terminate contracts for the provision of services or supply of goods on a successive or continuous performance basis, the reform clearly sets out, both in the initial informational phase and in that of effective entry into the contract, the procedure by which the consumer can exercise this right and ensures that it can be exercised in the same way that the contract was entered into, free of penalties or charges for the consumer.

These rules are completed with two provisions. The first specifies that the contract must meet the principle of objective good faith and the requirements of fair competition, and the other stipulates that the compulsory precontractual information must be provided at no cost to the consumer. Also, the offer, promotion or advertising of products that is false or misleading will be prosecuted and sanctioned as fraud. Consumers must be informed of the full final price of goods and services, together with details of any applicable increases or discounts and of additional charges for ancillary services, financing or other similar payment conditions.

The consumer protection of house purchasers is strengthened by specifically identifying as unfair certain terms under which expenses that should be borne by the seller are shifted to the consumer. Law 26/1984 deemed to be unfair certain terms in the first sale of houses obliging the purchaser to bear the documentation preparation expenses that, because of their nature, should have been borne by the seller (new construction, condominium property, mortgages to finance construction or division and termination). To these, others are now added, such as: the stipulation obliging the purchaser to subrogate to the mortgage of the seller and imposing penalties in the event of failure to do so; and the payment of taxes in which the taxpayer is the seller and of the expense of connecting utility services to the house in cases in which the house should be delivered ready for occupancy. All this aims to prevent unfair practices that shift these expenses to the consumer under terms that have not been negotiated.

This Law also seeks to clarify prices in contracts, preventing the billing of services that have not been effectively provided.

The Law also addresses the adoption, under Organic Law 1/2002 regulating the right of association, of the basic legal regime of consumer associations and the specific regulation of supra-regional associations of consumers and users.

Additionally, in order to enhance consumer protection, the Law amends the previous one to prevent the imposition on a consumer of arbitration other than that of the Consumer Arbitration System. To do this, it stipulates that these agreements can only be made once the actual dispute or controversy has arisen between the parties to the contract, unless that agreement subjects the dispute to institutional arbitration bodies created under legal or regulatory provisions for a specific sector or case. This rule ends by stipulating that, in application of the provisions of the General Consumer and User Protection Law on the non-waivability of consumer rights, the agreements entered into are null and void. Another change aimed at raising this protection is that customer information and attention services and offices have to ensure that

the customer receives a record of his complaints and claims. Also, direct personal attention must be assured at all times, even when provided telephonically or electronically.

Finally, in relation to vehicle parking, the required content of the voucher or receipt to be handed over by the parking service provider is legally defined and more flexible ways of identifying vehicles are permitted. The price to be paid by the consumer for rotating parking spaces shall be calculated to the nearest minute and rounding to units of time not effectively consumed or used is not permitted.

10.1.2007.

## ECONOMIC INDICATORS

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These economic indicators are permanently updated on the Banco de España website (<http://www.bde.es/homee.htm>). The date on which the indicators whose source is the Banco de España [those indicated with (BE) in this table of contents] are updated is published in a calendar that is disseminated on the Internet (<http://www.bde.es/estadis/cdoe/ceroe.htm>).

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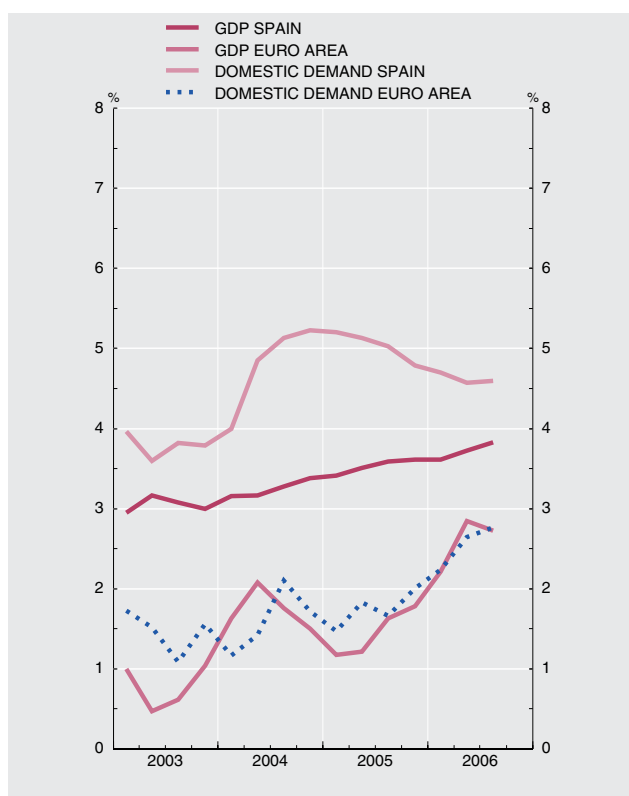
# 1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100.DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

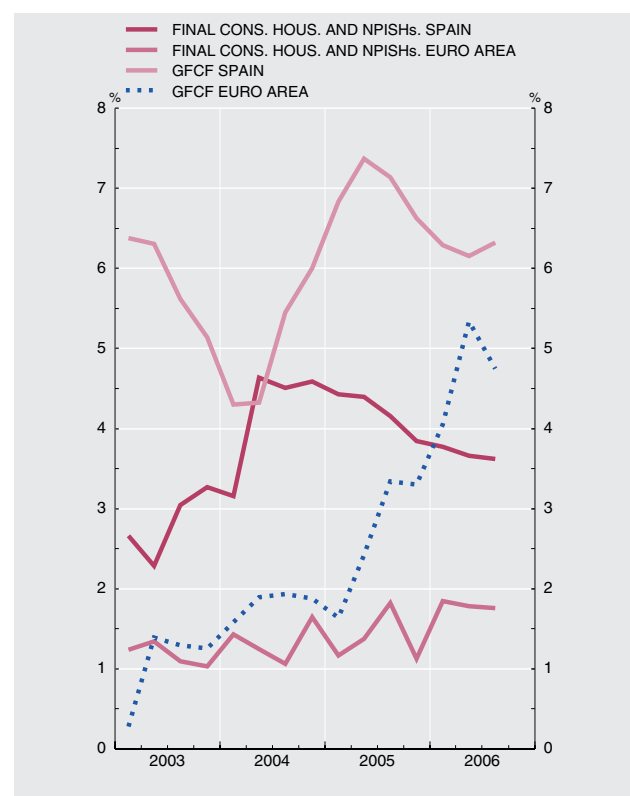
Annual percentage changes

		GDP		Final consumption of households and NPISHs		General government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (g)	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain	Euro area (d)	Spain	Euro area	Spain (e)	Euro area	Spain	Euro area (f)	Spain	Euro area (f)	Spain	Euro area
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
03	P	3.0	0.8	2.8	1.2	4.8	1.8	5.9	1.1	3.8	1.5	3.7	1.1	6.2	3.1	783	7 461
04	P	3.2	1.7	4.2	1.3	6.3	1.1	5.0	1.8	4.8	1.6	4.1	6.3	9.6	6.2	840	7 736
05	P	3.5	1.4	4.2	1.4	4.8	1.3	7.0	2.7	5.0	1.7	1.5	4.5	7.0	5.5	905	7 994
03 Q4	P	3.0	1.0	3.3	1.0	4.8	1.8	5.1	1.3	3.8	1.0	2.3	1.5	5.3	3.1	201	1 892
04 Q1	P	3.2	1.6	3.2	1.4	5.7	1.5	4.3	1.6	4.0	1.6	4.8	4.5	7.7	3.3	204	1 911
Q2	P	3.2	2.1	4.6	1.2	6.3	1.2	4.3	1.9	4.9	2.1	3.8	8.1	9.9	6.5	208	1 930
Q3	P	3.3	1.8	4.5	1.1	6.8	1.2	5.4	1.9	5.1	1.8	4.5	6.5	10.9	7.8	212	1 941
Q4	P	3.4	1.5	4.6	1.6	6.2	0.7	6.0	1.9	5.2	1.5	3.5	6.3	10.0	7.2	216	1 955
05 Q1	P	3.4	1.2	4.4	1.2	5.5	1.0	6.8	1.6	5.2	1.2	-0.8	4.2	5.9	5.3	220	1 970
Q2	P	3.5	1.2	4.4	1.4	4.3	1.3	7.4	2.4	5.1	1.2	1.8	3.5	7.7	5.4	224	1 986
Q3	P	3.6	1.6	4.2	1.8	4.5	1.4	7.1	3.3	5.0	1.6	2.5	5.5	7.7	5.8	229	2 008
Q4	P	3.6	1.8	3.8	1.1	4.9	1.6	6.6	3.3	4.8	1.8	2.3	4.9	6.6	5.6	233	2 030
06 Q1	P	3.6	2.2	3.8	1.8	4.3	2.4	6.3	4.0	4.7	2.2	9.5	9.3	12.4	9.7	237	2 048
Q2	P	3.7	2.8	3.7	1.8	4.2	2.0	6.2	5.3	4.6	2.8	4.9	8.5	7.6	8.1	241	2 078
Q3	P	3.8	2.7	3.6	1.8	4.2	2.1	6.3	4.7	4.6	2.7	3.2	7.5	6.0	7.8	247	2 100

**GDP. AND DOMESTIC DEMAND. SPAIN AND EURO AREA**  
Annual percentage changes



**DEMAND COMPONENTS. SPAIN AND EURO AREA**  
Annual percentage changes



Sources: INE (Quarterly National Accounts of Spain. Base year 2000) and Eurostat.

a. Spain: prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002); Euro area, prepared in accordance with ESA95. b. Final consumption expenditure may take place on the domestic territory or abroad (ESA95, 3.75). It therefore includes residents' consumption abroad, which is subsequently deducted in Imports of goods and services. c. Euro area, private consumption.

d. Euro area, government consumption. e. Residents' demand within and outside the economic territory.

f. Exports and imports comprise goods and services and include cross-border trade within the euro area. g. Billions of euro.



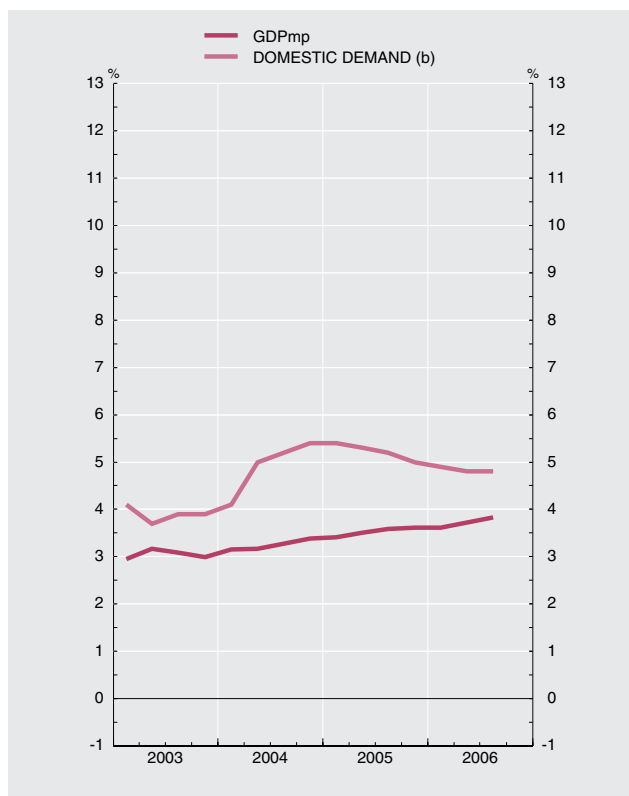
**1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS.  
SPAIN: BREAKDOWN (a)**

■ Series depicted in chart.

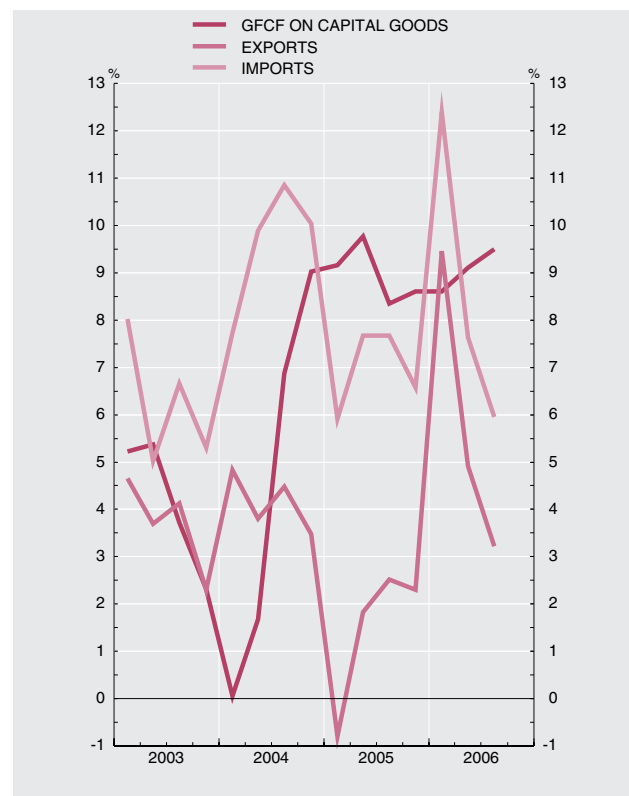
Annual percentage changes

		Gross fixed capital formation					Exports of goods and services				Imports of goods and services				Memorandum items:	
		Total	Capital goods	Construction	Other products	Change in Stocks (b)	Total	Goods	Final consumption of non-residents in economic territory	Services	Total	Goods	Final consumption of residents in the rest of the world	Services	Domestic demand (b) (c)	GDP
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
03	P	5.9	4.1	6.2	7.2	-0.1	3.7	5.2	0.1	1.2	6.2	6.7	3.2	4.6	3.9	3.0
04	P	5.0	4.4	5.5	4.5	0.0	4.1	5.1	0.0	4.4	9.6	9.7	20.1	7.4	4.9	3.2
05	P	7.0	9.0	6.0	7.5	-	1.5	0.0	2.0	7.3	7.0	6.6	21.4	6.1	5.2	3.5
03 Q4	P	5.1	2.3	6.0	6.8	-0.2	2.3	4.0	-1.4	-1.2	5.3	5.7	8.2	3.1	3.9	3.0
04 Q1	P	4.3	0.1	6.0	5.3	0.1	4.8	6.1	1.1	3.3	7.7	7.3	16.8	8.0	4.1	3.2
Q2	P	4.3	1.7	5.5	4.3	-	3.8	5.9	-4.5	3.8	9.9	9.9	19.7	7.9	5.0	3.2
Q3	P	5.4	6.9	5.2	4.2	-	4.5	5.5	0.7	4.3	10.9	11.3	20.1	7.3	5.2	3.3
Q4	P	6.0	9.0	5.2	4.3	-	3.5	3.1	2.9	6.1	10.0	10.3	23.6	6.4	5.4	3.4
05 Q1	P	6.8	9.2	6.0	6.4	-	-0.8	-2.1	1.0	3.1	5.9	6.9	20.1	-1.2	5.4	3.4
Q2	P	7.4	9.8	6.2	8.0	-	1.8	2.4	-4.9	6.3	7.7	7.8	22.9	4.0	5.3	3.5
Q3	P	7.1	8.3	6.3	8.4	-	2.5	0.1	7.5	8.0	7.7	6.6	23.2	9.9	5.2	3.6
Q4	P	6.6	8.6	5.6	7.4	-	2.3	-0.3	4.2	11.9	6.6	5.0	19.4	11.9	5.0	3.6
06 Q1	P	6.3	8.6	5.8	4.8	0.1	9.5	13.0	-8.6	14.2	12.4	11.3	13.8	17.4	4.9	3.6
Q2	P	6.2	9.1	5.8	3.3	0.1	4.9	4.7	-1.6	12.0	7.6	7.3	6.0	9.6	4.8	3.7
Q3	P	6.3	9.5	6.1	2.9	0.1	3.2	3.0	0.6	7.0	6.0	7.3	3.7	-0.0	4.8	3.8

**GDP. DOMESTIC DEMAND**  
Annual percentage changes



**GDP. DEMAND COMPONENTS**  
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2000).

a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).

b. Contribution to GDPmp growth rate.

c. Residents' demand within and outside the economic territory.

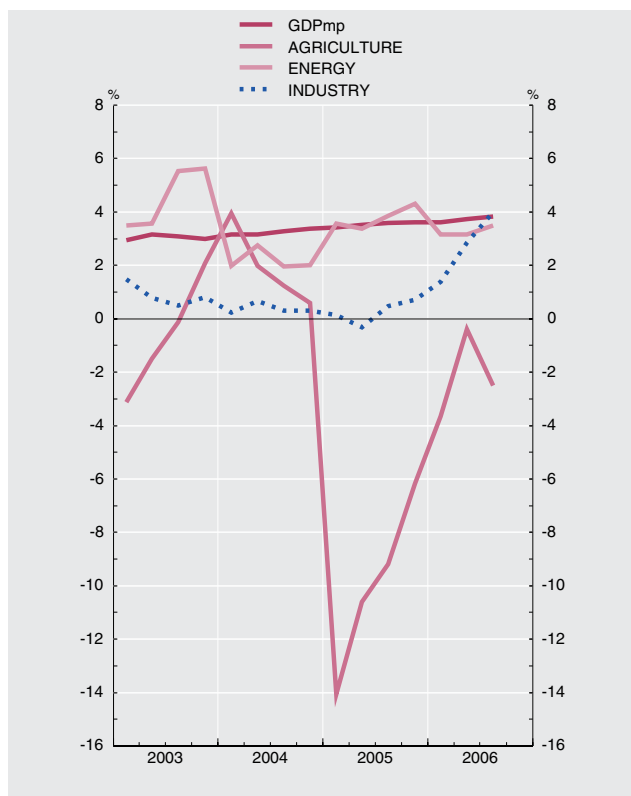
### 1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

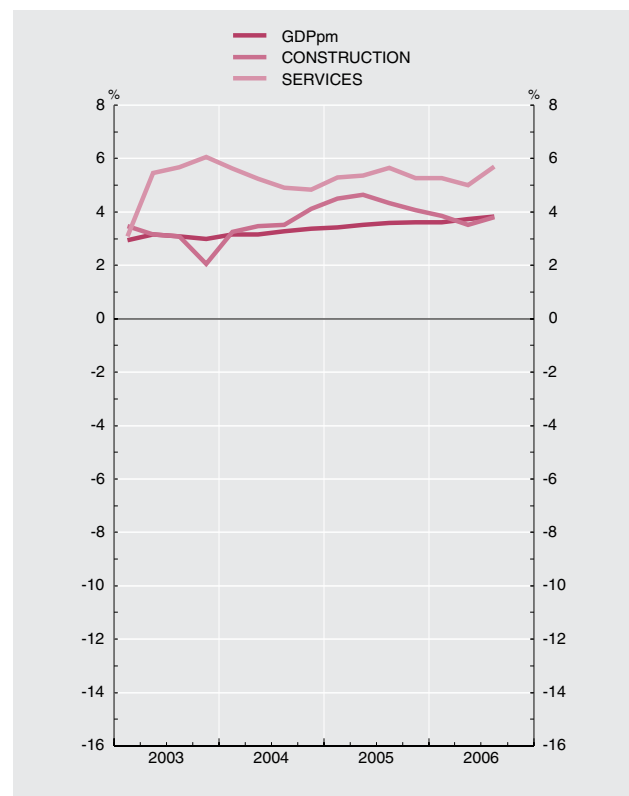
Annual percentage changes

		1	Gross domestic product at market prices	2	Agriculture and fisheries	3	Energy	4	Industry	5	Construction	Services			9	VAT on products	Net taxes linked to imports	Other net taxes on products
												6	7	8				
03	P		3.0	-0.7			4.5		0.9		5.1	2.9	2.6	4.2		5.1	6.6	9.0
04	P		3.2	1.9			2.2		0.4		5.1	3.6	3.6	3.7	2.6	12.4	7.0	
05	P		3.5	-10.0			3.8		0.3		5.4	4.4	4.6	3.5	5.6	4.9	6.0	
03 Q4	P		3.0	2.1			5.6		0.8		6.1	2.0	1.6	3.7	9.1	8.4	10.7	
04 Q1	P		3.2	4.0			2.0		0.2		5.6	3.3	3.2	3.4	0.5	12.8	11.8	
Q2	P		3.2	2.0			2.7		0.7		5.2	3.5	3.5	3.4	-0.2	13.2	10.0	
Q3	P		3.3	1.2			2.0		0.3		4.9	3.5	3.4	3.8	5.8	11.1	5.8	
Q4	P		3.4	0.6			2.0		0.3		4.8	4.1	4.1	4.1	4.5	12.4	0.8	
05 Q1	P		3.4	-14.1			3.6		0.1		5.3	4.5	5.1	2.4	6.2	11.1	5.0	
Q2	P		3.5	-10.6			3.4		-0.3		5.4	4.7	4.6	4.7	8.0	4.6	0.7	
Q3	P		3.6	-9.2			3.9		0.5		5.7	4.3	4.6	3.3	4.6	1.8	7.4	
Q4	P		3.6	-6.2			4.3		0.7		5.3	4.1	4.1	3.8	3.6	2.2	11.1	
06 Q1	P		3.6	-3.7			3.2		1.4		5.3	3.9	3.9	3.9	4.2	5.0	7.9	
Q2	P		3.7	-0.4			3.2		2.8		5.0	3.5	3.5	3.6	5.5	3.9	7.2	
Q3	P		3.8	-2.5			3.5		4.0		5.7	3.8	3.8	3.8	1.4	1.7	7.5	

**GDP. BRANCHES OF ACTIVITY**  
Annual percentage changes



**GDP. BRANCHES OF ACTIVITY**  
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2000).

a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).

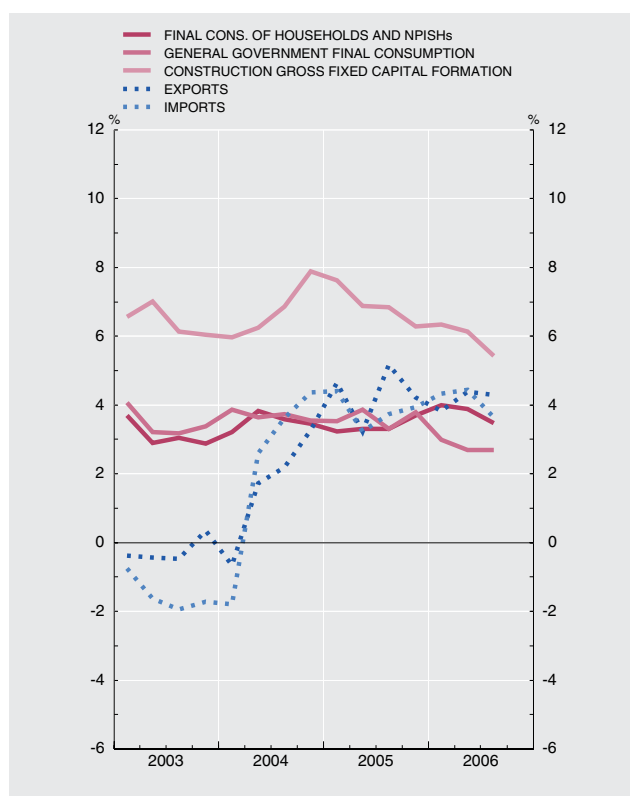
#### 1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

Annual percentage changes

		Demand components							Gross domestic product at market prices	Branches of activity					
		Final consumption of households and NPISHs  (b)	General government final consumption	Gross fixed capital formation			Exports of goods and services	Imports of goods and services		Agriculture and fisheries	Energy	Industry	Construction	Of which	
				Capital goods	Construction	Other products								Services	Market services
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
03	P	3.1	3.4	1.5	6.4	5.1	-0.2	-1.5	4.1	5.9	3.6	1.7	7.7	3.9	3.5
04	P	3.5	3.7	2.2	6.8	5.9	1.6	2.2	4.0	0.1	1.7	3.0	9.0	3.4	3.8
05	P	3.4	3.6	2.0	6.9	4.4	4.3	3.8	4.1	3.1	1.6	3.2	10.3	3.1	3.7
03 Q4	P	2.9	3.4	2.3	6.0	5.8	0.3	-1.7	4.2	8.4	2.1	1.7	7.7	4.0	3.2
04 Q1	P	3.2	3.9	2.2	6.0	5.5	-0.7	-1.8	4.2	2.6	2.4	2.2	8.4	3.8	4.0
Q2	P	3.8	3.6	2.6	6.3	6.5	1.7	2.6	4.0	3.4	1.8	2.8	8.1	3.3	3.6
Q3	P	3.6	3.7	2.3	6.9	6.3	2.2	3.6	3.8	-1.1	1.3	3.3	9.0	3.2	4.2
Q4	P	3.5	3.5	1.9	7.9	5.2	3.3	4.4	3.9	-4.3	1.3	3.7	10.4	3.2	3.5
05 Q1	P	3.3	3.5	2.3	7.6	4.8	4.6	4.4	4.1	3.9	1.1	4.0	10.7	3.1	3.7
Q2	P	3.4	3.9	1.8	6.9	4.4	3.2	3.2	4.0	2.1	0.8	2.9	10.3	3.1	3.6
Q3	P	3.4	3.3	1.7	6.8	4.2	5.2	3.7	4.2	2.4	1.9	3.4	10.6	3.2	3.6
Q4	P	3.7	3.8	2.2	6.3	4.4	4.2	3.9	4.1	4.2	2.7	2.6	9.7	3.1	3.7
06 Q1	P	4.0	3.0	2.4	6.3	4.5	3.8	4.3	4.0	3.0	4.4	2.5	7.8	3.0	3.0
Q2	P	3.9	2.7	2.5	6.1	4.6	4.4	4.4	4.0	2.2	3.1	2.8	7.8	3.0	3.1
Q3	P	3.5	2.7	2.6	5.4	4.6	4.3	3.6	3.8	4.6	2.3	3.1	7.4	2.9	3.1

GDP. IMPLICIT DEFLATORS  
Annual percentage changes



GDP. IMPLICIT DEFLATORS  
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2000).

a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).

b. Final consumption expenditure may take place on the domestic territory or abroad (ESA95, 3.75). It therefore includes residents' consumption abroad, which is subsequently deducted in Imports of goods and services.

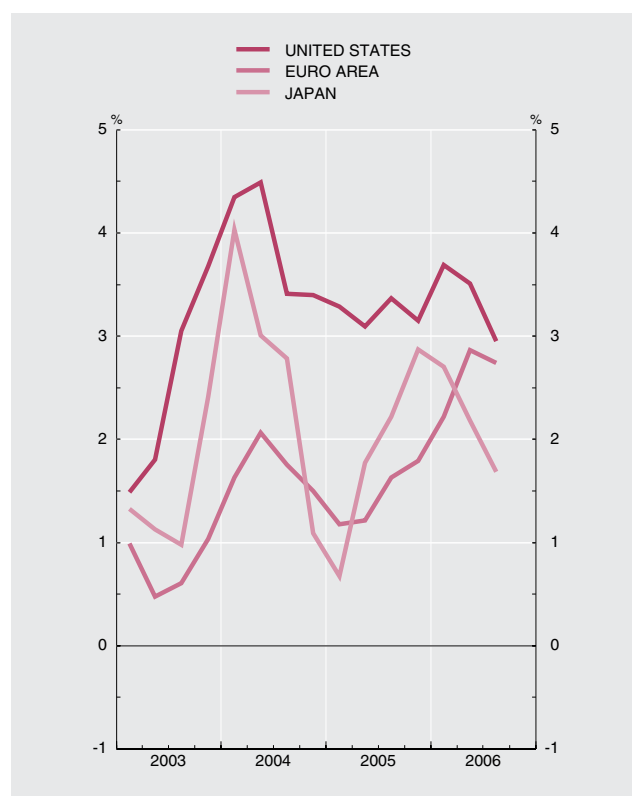
## 2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

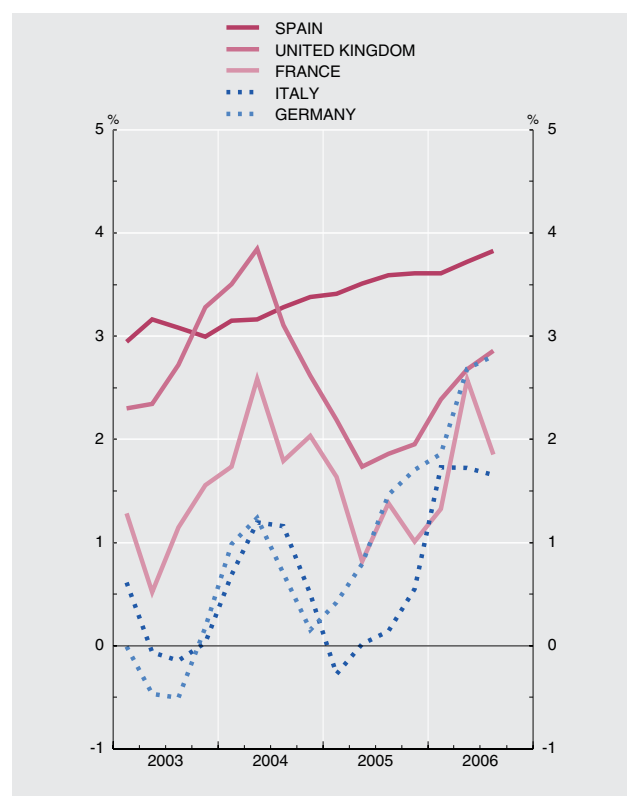
Annual percentage changes

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
<b>03</b>	2.0	1.1	0.8	-0.2	3.0	2.5	1.1	0.1	1.5	2.7
<b>04</b>	3.2	2.1	1.7	0.8	3.2	3.9	2.0	0.9	2.7	3.3
<b>05</b>	2.7	1.6	1.5	1.1	3.5	3.2	1.2	0.1	1.9	1.9
<b>03 Q3</b>	2.0	1.0	0.6	-0.5	3.1	3.1	1.1	-0.1	1.0	2.7
<b>Q4</b>	2.7	1.5	1.0	0.2	3.0	3.7	1.6	0.0	2.4	3.3
<b>04 Q1</b>	3.4	2.0	1.6	1.0	3.2	4.3	1.7	0.7	4.0	3.5
<b>Q2</b>	3.6	2.5	2.1	1.2	3.2	4.5	2.6	1.2	3.0	3.8
<b>Q3</b>	3.0	2.1	1.8	0.7	3.3	3.4	1.8	1.2	2.8	3.1
<b>Q4</b>	2.6	1.8	1.5	0.2	3.4	3.4	2.0	0.5	1.1	2.6
<b>05 Q1</b>	2.4	1.4	1.2	0.4	3.4	3.3	1.6	-0.3	0.7	2.2
<b>Q2</b>	2.5	1.4	1.2	0.8	3.5	3.1	0.8	0.0	1.8	1.7
<b>Q3</b>	2.8	1.7	1.6	1.5	3.6	3.4	1.4	0.1	2.2	1.9
<b>Q4</b>	3.0	1.9	1.8	1.7	3.6	3.1	1.0	0.5	2.9	2.0
<b>06 Q1</b>	3.3	2.3	2.2	1.9	3.6	3.7	1.3	1.7	2.7	2.4
<b>Q2</b>	3.3	2.9	2.9	2.7	3.7	3.5	2.6	1.7	2.2	2.7
<b>Q3</b>	...	2.8	2.7	2.8	3.8	3.0	1.9	1.7	1.7	2.9

GROSS DOMESTIC PRODUCT  
Annual percentage changes



GROSS DOMESTIC PRODUCT  
Annual percentage changes



Sources: ECB, INE and OECD.

Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín Estadístico.

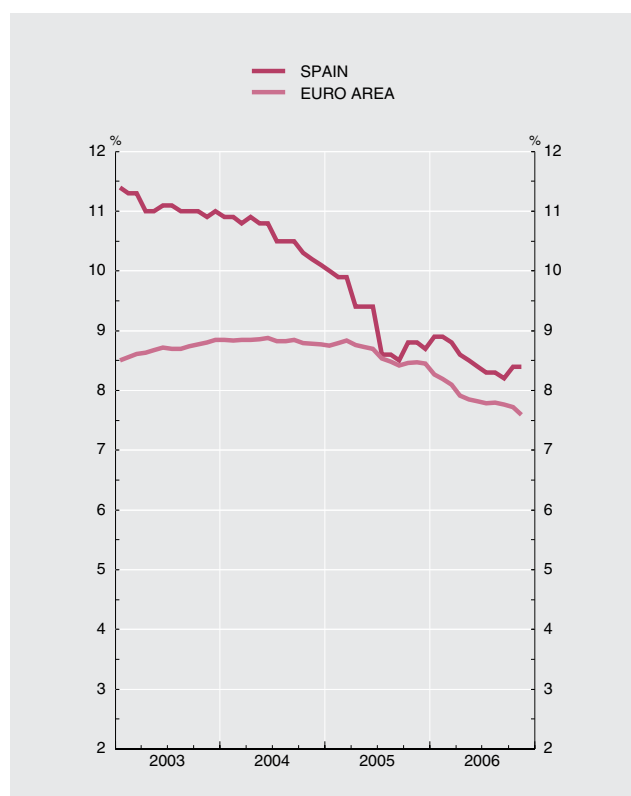
## 2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

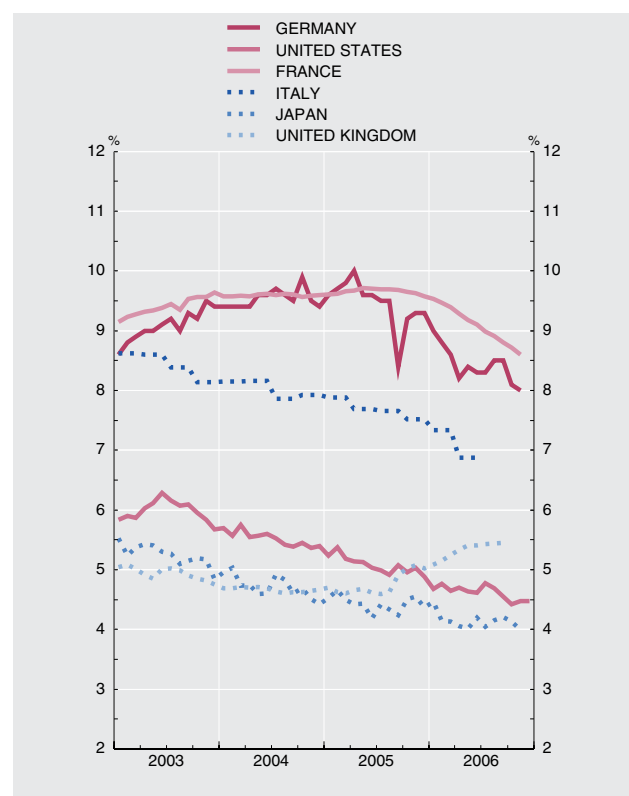
Percentages

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
<b>03</b>	7.1	8.0	8.7	9.1	11.1	6.0	9.4	8.4	5.2	4.9
<b>04</b>	6.9	8.1	8.8	9.5	10.6	5.5	9.6	8.0	4.7	4.7
<b>05</b>	6.6	7.9	8.6	9.5	9.2	5.1	9.7	7.7	4.4	4.8
<b>05 Jun</b>	6.6	7.9	8.7	9.6	9.4	5.0	9.7	7.7	4.2	4.6
<b>Jul</b>	6.5	7.8	8.5	9.5	8.6	5.0	9.7	7.7	4.4	4.6
<b>Aug</b>	6.5	7.7	8.5	9.5	8.6	4.9	9.7	7.7	4.3	4.6
<b>Sep</b>	6.5	7.7	8.4	8.4	8.5	5.1	9.7	7.7	4.2	4.9
<b>Oct</b>	6.5	7.8	8.5	9.2	8.8	5.0	9.7	7.5	4.5	5.0
<b>Nov</b>	6.5	7.8	8.5	9.3	8.8	5.0	9.6	7.5	4.6	5.1
<b>Dec</b>	6.4	7.7	8.4	9.3	8.7	4.9	9.6	7.5	4.4	5.0
<b>06 Jan</b>	6.3	7.7	8.3	9.0	8.9	4.7	9.5	7.3	4.5	5.1
<b>Feb</b>	6.2	7.6	8.2	8.8	8.9	4.8	9.5	7.3	4.1	5.2
<b>Mar</b>	6.1	7.6	8.1	8.6	8.8	4.7	9.4	7.3	4.1	5.3
<b>Apr</b>	6.1	7.4	7.9	8.2	8.6	4.7	9.3	6.9	4.1	5.3
<b>May</b>	6.0	7.4	7.8	8.4	8.5	4.6	9.2	6.9	4.0	5.4
<b>Jun</b>	6.0	7.4	7.8	8.3	8.4	4.6	9.1	6.9	4.2	5.4
<b>Jul</b>	6.0	7.3	7.8	8.3	8.3	4.8	9.0	...	4.1	5.4
<b>Aug</b>	6.0	7.3	7.8	8.5	8.3	4.7	8.9	...	4.2	5.4
<b>Sep</b>	5.9	7.3	7.8	8.5	8.2	4.6	8.8	...	4.2	5.5
<b>Oct</b>	5.9	7.2	7.7	8.1	8.4	4.4	8.7	...	4.1	...
<b>Nov</b>	5.8	7.2	7.6	8.0	8.4	4.5	8.6	...	4.0	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Sources: ECB and OECD.

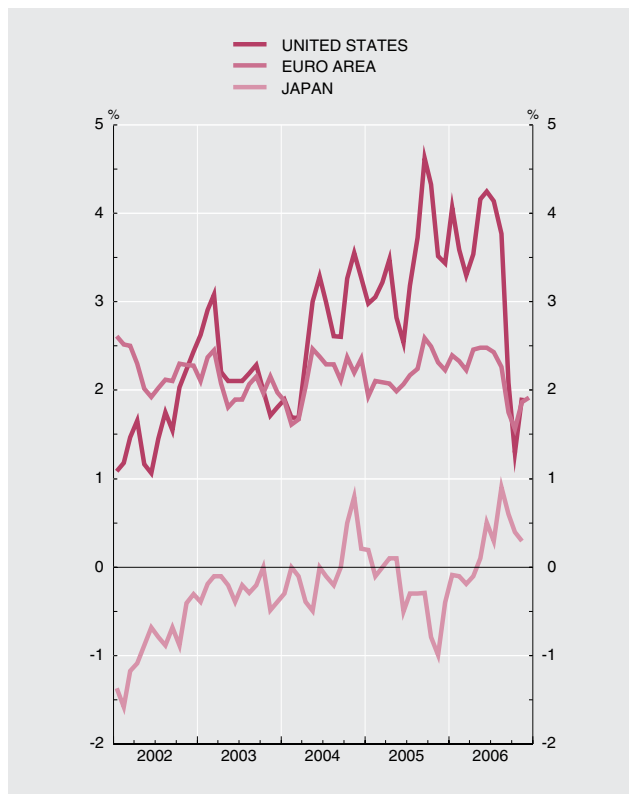
### 2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

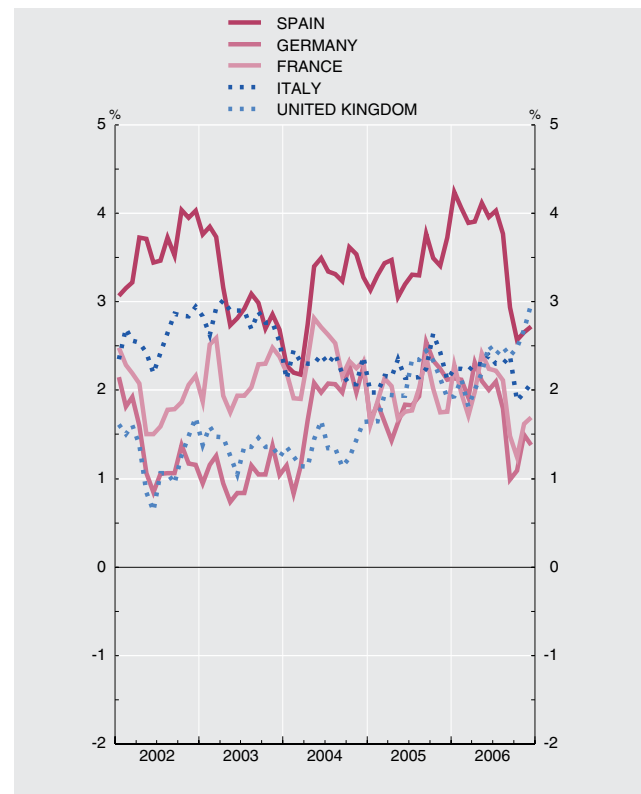
Annual percentage changes

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
02	2.5	2.1	2.2	1.4	3.6	1.6	1.9	2.6	-0.9	1.3
03	2.4	2.0	2.1	1.0	3.1	2.3	2.2	2.8	-0.2	1.4
04	2.4	2.0	2.1	1.8	3.1	2.7	2.3	2.3	-0.0	1.3
05	2.6	2.1	2.2	1.9	3.4	3.4	1.9	2.2	-0.3	2.1
05 Jul	2.5	2.2	2.2	1.8	3.3	3.2	1.8	2.1	-0.3	2.4
Aug	2.8	2.3	2.2	1.9	3.3	3.7	2.0	2.1	-0.3	2.3
Sep	3.2	2.5	2.6	2.5	3.8	4.6	2.4	2.2	-0.3	2.4
Oct	2.9	2.4	2.5	2.3	3.5	4.3	2.0	2.6	-0.8	2.3
Nov	2.5	2.3	2.3	2.2	3.4	3.5	1.8	2.4	-1.0	2.1
Dec	2.6	2.2	2.2	2.1	3.7	3.4	1.8	2.1	-0.4	1.9
06 Jan	2.9	2.3	2.4	2.1	4.2	4.1	2.3	2.2	-0.1	1.9
Feb	2.8	2.2	2.3	2.1	4.1	3.6	2.0	2.2	-0.1	2.1
Mar	2.5	2.1	2.2	1.9	3.9	3.3	1.7	2.2	-0.2	1.8
Apr	2.7	2.4	2.5	2.3	3.9	3.5	2.0	2.3	-0.1	2.0
May	3.1	2.4	2.5	2.1	4.1	4.2	2.4	2.3	0.1	2.2
Jun	3.2	2.5	2.5	2.0	4.0	4.2	2.2	2.4	0.5	2.5
Jul	3.1	2.4	2.4	2.1	4.0	4.1	2.2	2.3	0.3	2.4
Aug	3.0	2.3	2.3	1.8	3.8	3.8	2.1	2.3	0.9	2.5
Sep	2.1	1.8	1.7	1.0	2.9	2.1	1.5	2.4	0.6	2.4
Oct	1.7	1.7	1.6	1.1	2.6	1.3	1.2	1.9	0.4	2.5
Nov	2.1	2.0	1.9	1.5	2.7	1.9	1.6	2.0	0.3	2.7
Dec	...	2.1	1.9	1.4	2.7	...	1.7	2.1	...	3.0

CONSUMER PRICES  
Annual percentage changes



CONSUMER PRICES  
Annual percentage changes



Sources: OECD, INE and Eurostat.

Note: The underlying series for this indicator are in Tables 26.11 and 26.15 of the BE Boletín Estadístico.

a. Harmonised Index of Consumer Prices for the EU countries.

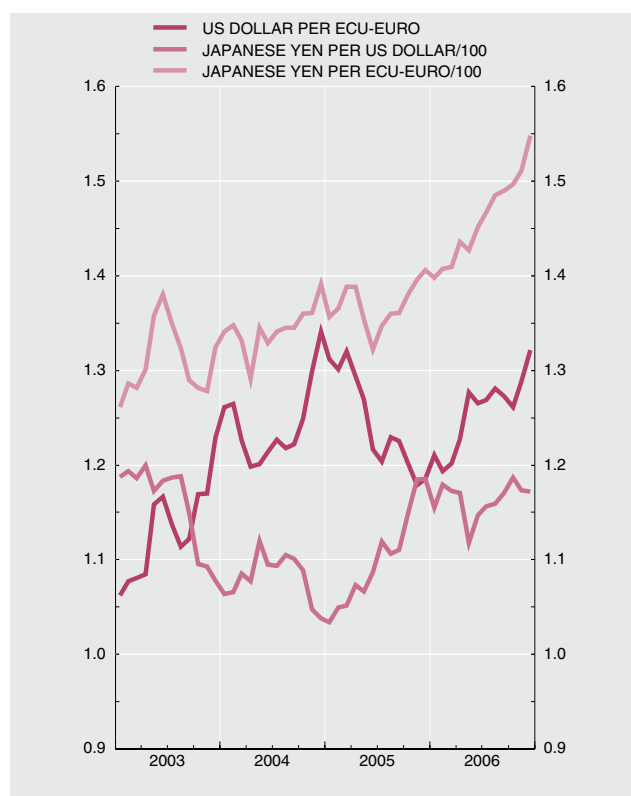
## 2.4. BILATERAL EXCHANGE RATES AND NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDICES FOR THE EURO, US DOLLAR AND JAPANESE YEN

■ Series depicted in chart.

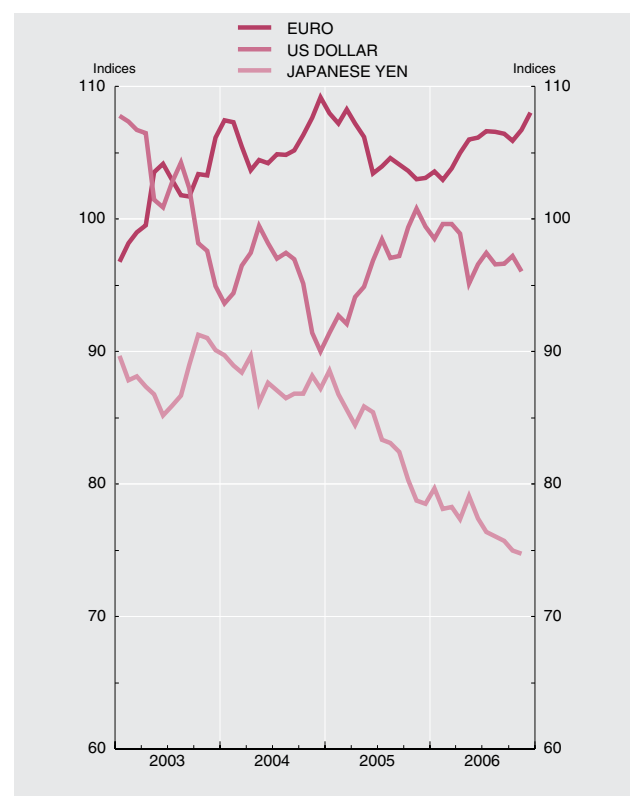
Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 Q1=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 Q1=100					
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Based on consumer prices			Based on producer prices		
							Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen
	1	2	3	4	5	6	7	8	9	10	11	12
03	1.1313	130.98	115.93	99.9	97.5	99.9	101.7	102.5	88.2	102.2	102.8	87.9
04	1.2433	134.41	108.18	103.8	89.7	101.5	105.9	95.6	87.7	105.2	96.6	87.6
05	1.2445	136.88	110.17	103.0	88.5	99.5	105.2	96.2	83.6	103.6	98.3	84.1
05 J-D	1.2445	136.88	110.17	103.0	88.5	99.5	105.2	96.2	83.6	103.6	98.3	84.1
06 J-D	1.2561	146.09	116.32	103.4	88.0	93.6	105.7	97.5	77.1	104.3	99.1	78.9
05 Oct	1.2015	138.05	114.90	101.4	90.2	96.8	103.6	99.4	80.3	101.5	102.9	80.8
Nov	1.1786	139.59	118.45	100.7	91.9	94.9	103.0	100.8	78.8	100.9	102.5	80.2
Dec	1.1856	140.58	118.58	100.7	91.3	94.4	103.1	99.4	78.5	101.1	101.9	79.8
06 Jan	1.2103	139.82	115.53	101.4	89.7	96.0	103.6	98.5	79.7	102.0	100.5	80.7
Feb	1.1938	140.77	117.91	100.7	90.6	94.6	103.0	99.6	78.1	101.8	101.0	79.9
Mar	1.2020	140.96	117.27	101.5	90.5	95.0	103.8	99.6	78.2	102.5	101.4	79.7
Apr	1.2271	143.59	117.03	102.7	89.4	94.3	105.0	98.9	77.3	103.7	100.7	78.6
May	1.2770	142.70	111.76	103.8	85.8	96.5	106.0	95.1	79.1	104.7	97.1	80.5
Jun	1.2650	145.11	114.72	103.9	87.0	94.6	106.2	96.6	77.4	104.7	99.0	78.5
Jul	1.2684	146.70	115.66	104.3	87.4	93.7	106.6	97.4	76.4	105.2	98.5	78.0
Aug	1.2811	148.53	115.94	104.4	86.8	92.9	106.6	96.6	76.1	105.2	98.1	77.5
Sep	1.2727	148.99	117.07	104.2	87.2	92.3	106.4	96.6	75.7	104.9	97.3	78.1
Oct	1.2611	149.65	118.67	103.7	88.1	91.5	105.9	97.2	75.0	104.9	97.7	77.5
Nov	1.2881	151.11	117.31	104.4	87.2	91.5	106.7	96.1	74.7	105.4	...	...
Dec	1.3213	154.82	117.18	105.6	86.4	90.5	108.0	...	...	106.6	...	...

### EXCHANGE RATES



### INDICES OF THE REAL EFFECTIVE EXCHANGE RATE BASED ON CONSUMER PRICES VIS-À-VIS THE DEVELOPED COUNTRIES



Sources: ECB and BE.

a. Geometric mean -calculated using a double weighting system based on 1995-97 manufacturing trade of changes in the spot price of each currency against the currencies of the other developed countries. A fall in the index denotes a depreciation of the currency against those of the other developed countries.

b. Obtained by multiplying the relative prices of each area/country (relation between its price index and the price index of the group) by the nominal effective exchange rate.

A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in that area/country's competitiveness.

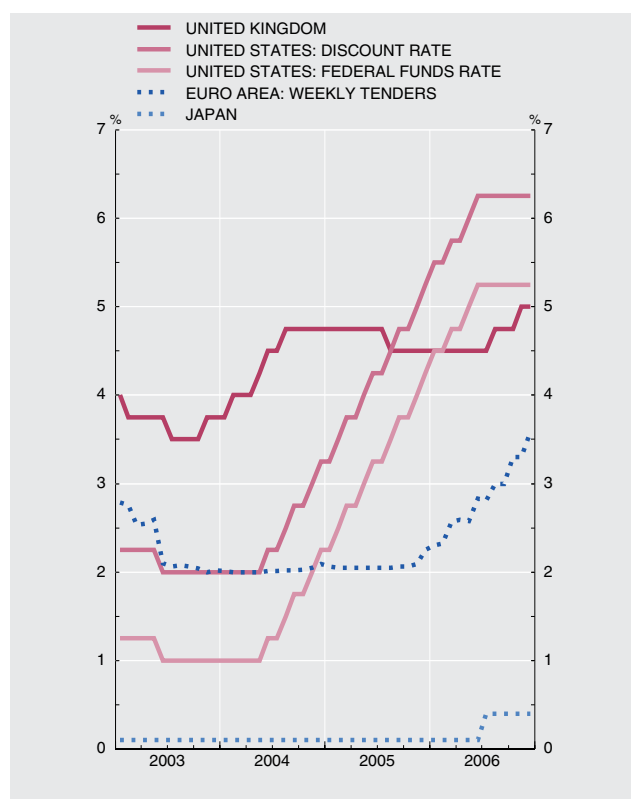
## 2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

■ Series depicted in chart.

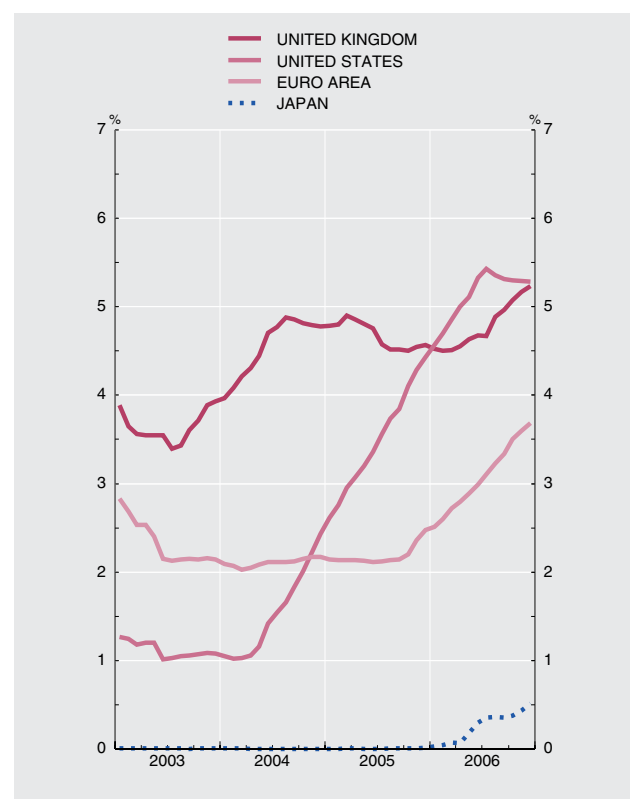
Percentages

	Official intervention interest rates					3-month interbank rates									
	Euro area	United States		Japan	United Kingdom	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
		Discount rate (b)	Federal funds rate	(c)	(d)										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
03	2.00	2.00	1.10	0.10	3.75	1.63	2.55	2.33	-	-	1.12	-	-	0.01	3.64
04	2.00	3.25	1.40	0.10	4.75	1.75	2.48	2.11	-	-	1.54	-	-	0.00	4.55
05	2.25	5.25	3.25	0.10	4.50	2.57	2.55	2.18	-	-	3.50	-	-	0.01	4.68
05 Jul	2.00	4.25	3.25	0.10	4.75	2.56	2.47	2.12	-	-	3.56	-	-	0.00	4.57
Aug	2.00	4.50	3.50	0.10	4.50	2.63	2.48	2.13	-	-	3.74	-	-	0.01	4.51
Sep	2.00	4.75	3.75	0.10	4.50	2.69	2.48	2.14	-	-	3.84	-	-	0.01	4.52
Oct	2.00	4.75	3.75	0.10	4.50	2.81	2.53	2.20	-	-	4.10	-	-	0.01	4.50
Nov	2.00	5.00	4.00	0.10	4.50	2.95	2.67	2.36	-	-	4.28	-	-	0.01	4.54
Dec	2.25	5.25	4.25	0.10	4.50	3.05	2.77	2.47	-	-	4.43	-	-	0.01	4.57
06 Jan	2.25	5.50	4.50	0.10	4.50	3.12	2.80	2.51	-	-	4.57	-	-	0.03	4.52
Feb	2.25	5.50	4.50	0.10	4.50	3.21	2.87	2.60	-	-	4.70	-	-	0.04	4.50
Mar	2.50	5.75	4.75	0.10	4.50	3.32	2.98	2.72	-	-	4.86	-	-	0.07	4.51
Apr	2.50	5.75	4.75	0.10	4.50	3.41	3.05	2.79	-	-	5.00	-	-	0.06	4.55
May	2.50	6.00	5.00	0.10	4.50	3.52	3.14	2.89	-	-	5.11	-	-	0.18	4.63
Jun	2.75	6.25	5.25	0.10	4.50	3.66	3.23	2.99	-	-	5.33	-	-	0.30	4.68
Jul	2.75	6.25	5.25	0.40	4.50	3.75	3.32	3.10	-	-	5.43	-	-	0.36	4.67
Aug	3.00	6.25	5.25	0.40	4.75	3.78	3.46	3.23	-	-	5.36	-	-	0.36	4.89
Sep	3.00	6.25	5.25	0.40	4.75	3.81	3.57	3.34	-	-	5.31	-	-	0.36	4.97
Oct	3.25	6.25	5.25	0.40	4.75	3.87	3.72	3.50	-	-	5.30	-	-	0.37	5.08
Nov	3.25	6.25	5.25	0.40	5.00	3.91	3.82	3.60	-	-	5.29	-	-	0.44	5.16
Dec	3.50	6.25	5.25	0.40	5.00	3.95	3.90	3.68	-	-	5.28	-	-	0.51	5.23

### OFFICIAL INTERVENTION INTEREST RATES



### 3-MONTH INTERBANK RATES



Sources: ECB, Reuters and BE.

- a. Main refinancing operations.
- b. As from January 2003, the Primary Credit Rate.
- c. Discount rate.
- d. Retail bank base rate.



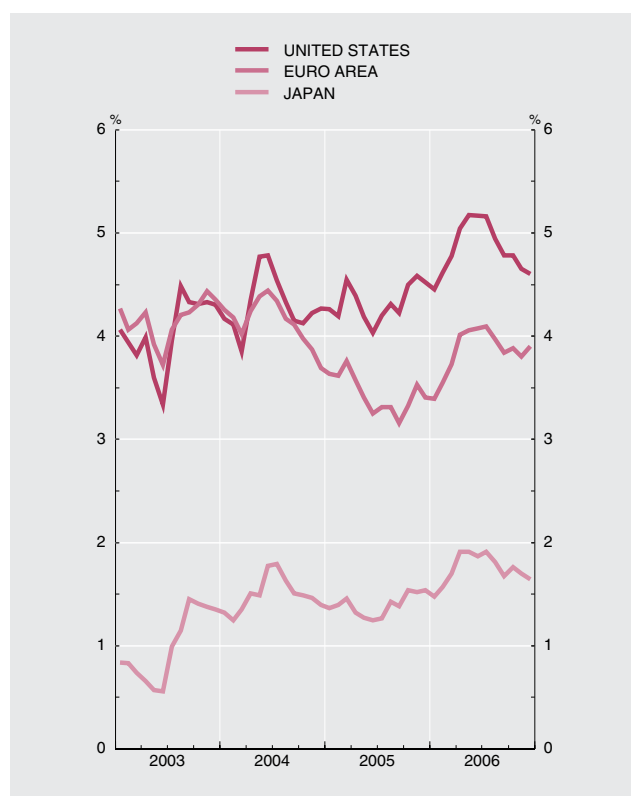
## 2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart.

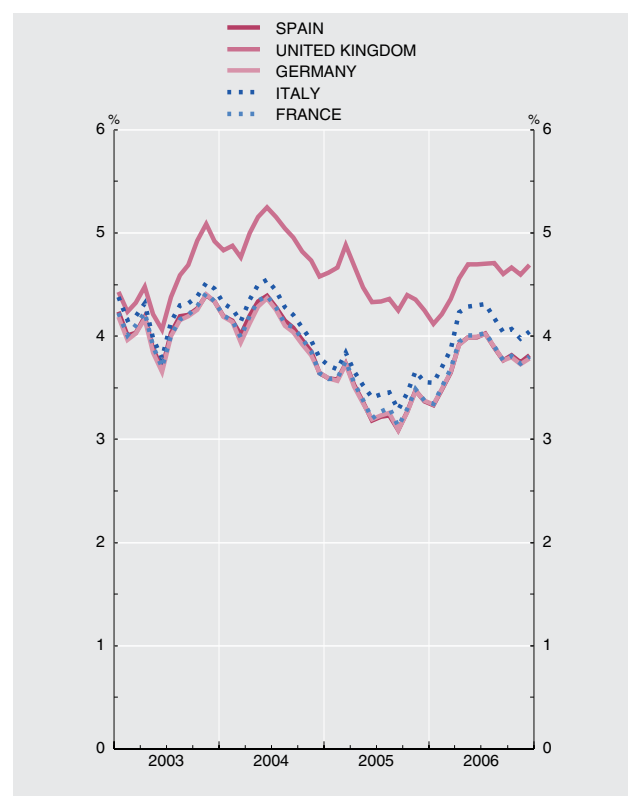
Percentages

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
<b>03</b>	3.68	4.22	4.16	4.10	4.12	4.04	4.13	4.24	0.99	4.53
<b>04</b>	3.87	4.26	4.14	4.07	4.10	4.31	4.10	4.24	1.50	4.93
<b>05</b>	3.58	3.59	3.44	3.38	3.39	4.33	3.41	3.56	1.39	4.47
<b>05 Jul</b>	3.44	3.44	3.32	3.23	3.22	4.20	3.27	3.44	1.26	4.34
<b>Aug</b>	3.52	3.47	3.32	3.26	3.23	4.31	3.30	3.46	1.43	4.36
<b>Sep</b>	3.42	3.31	3.16	3.09	3.09	4.23	3.13	3.29	1.38	4.25
<b>Oct</b>	3.62	3.47	3.32	3.26	3.27	4.50	3.29	3.45	1.54	4.40
<b>Nov</b>	3.73	3.64	3.53	3.47	3.48	4.59	3.49	3.66	1.52	4.36
<b>Dec</b>	3.66	3.54	3.41	3.37	3.37	4.52	3.38	3.56	1.54	4.25
<b>06 Jan</b>	3.60	3.50	3.39	3.34	3.33	4.45	3.34	3.55	1.47	4.12
<b>Feb</b>	3.74	3.64	3.55	3.49	3.48	4.61	3.51	3.70	1.57	4.21
<b>Mar</b>	3.89	3.81	3.73	3.66	3.65	4.78	3.68	3.87	1.70	4.36
<b>Apr</b>	4.15	4.08	4.01	3.91	3.92	5.04	3.95	4.23	1.91	4.56
<b>May</b>	4.24	4.15	4.06	3.99	3.99	5.18	4.01	4.29	1.91	4.70
<b>Jun</b>	4.23	4.16	4.07	3.99	3.99	5.17	4.01	4.30	1.87	4.70
<b>Jul</b>	4.25	4.18	4.10	4.02	4.02	5.16	4.03	4.31	1.91	4.70
<b>Aug</b>	4.10	4.08	3.97	3.90	3.89	4.95	3.90	4.18	1.81	4.71
<b>Sep</b>	3.95	3.95	3.84	3.76	3.76	4.78	3.77	4.04	1.68	4.60
<b>Oct</b>	3.98	3.99	3.88	3.80	3.81	4.78	3.81	4.07	1.76	4.67
<b>Nov</b>	3.89	3.91	3.80	3.73	3.75	4.66	3.74	3.97	1.70	4.60
<b>Dec</b>	3.88	3.98	3.90	3.79	3.82	4.60	3.80	4.04	1.64	4.69

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

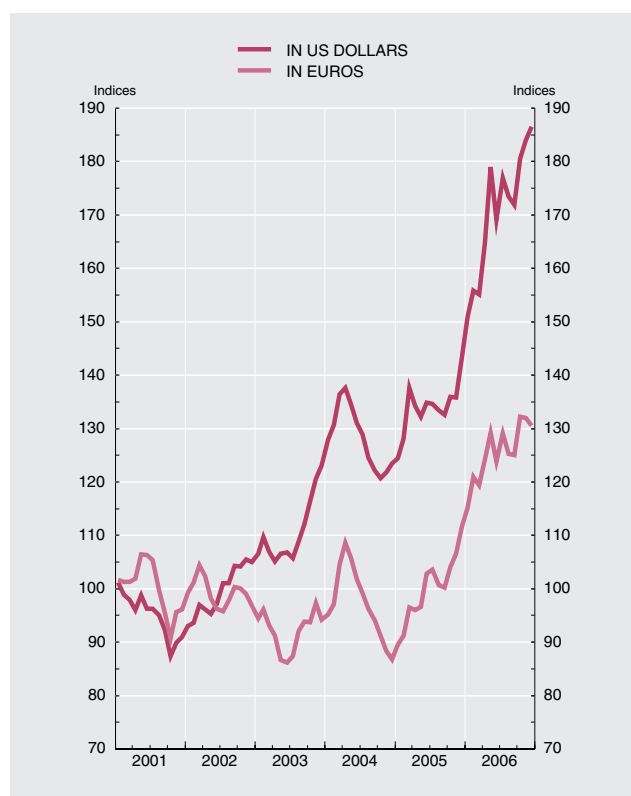
## 2.7 INTERNATIONAL MARKETS. NON-ENERGY COMMODITIES PRICE INDEX. CRUDE OIL AND GOLD PRICE.

■ Series depicted in chart.

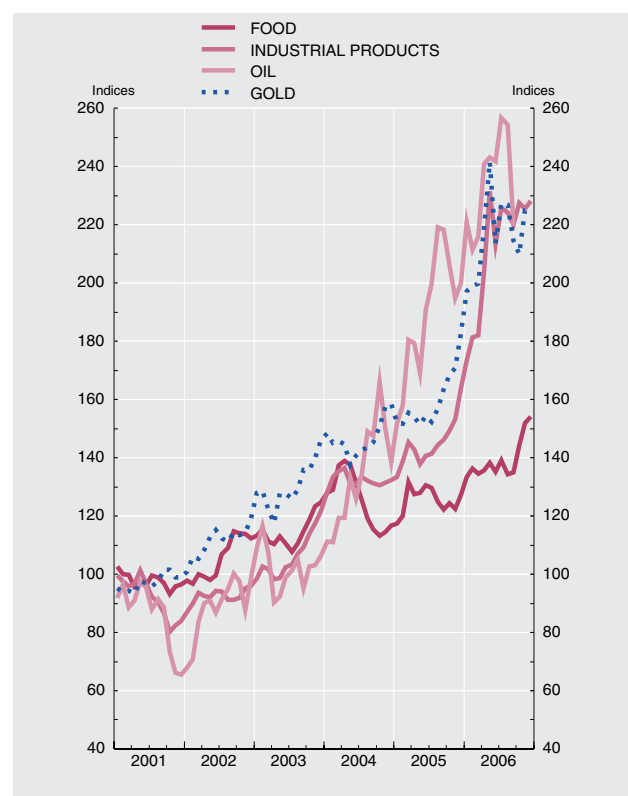
Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricultural products	Metals					
	1	2	3	4	5	6	7	8	9	10	11
01	100.2	95.0	97.7	91.9	94.8	88.4	86.1	24.6	97.2	271.1	9.74
02	99.3	99.5	105.2	92.4	101.0	84.7	88.5	25.0	111.1	310.0	10.55
03	92.2	110.7	114.4	106.2	118.7	95.5	102.3	28.9	130.3	363.6	10.33
04	97.4	128.3	125.5	132.2	131.5	130.7	133.8	38.3	146.7	409.2	10.58
05	100.0	134.0	125.5	144.8	131.2	152.1	189.2	54.2	159.5	445.1	11.53
05 J-D	100.0	134.0	125.5	144.8	131.2	152.1	189.2	54.2	159.5	445.1	11.53
06 J-D	125.6	170.8	139.3	211.6	147.3	246.4	...	64.9	216.7	604.6	15.45
05 Nov	106.6	135.8	122.4	153.1	132.8	164.2	194.7	55.0	170.9	476.7	13.01
Dec	111.6	143.3	127.3	163.9	136.0	179.0	200.0	56.5	182.8	509.9	13.81
06 Jan	115.2	150.9	133.4	173.4	143.0	189.5	220.9	62.9	197.1	549.9	14.53
Feb	121.0	155.9	136.2	181.3	149.5	198.6	211.5	59.7	198.9	555.0	14.94
Mar	119.4	155.2	134.4	182.0	148.3	200.3	215.8	61.6	199.7	557.1	14.89
Apr	124.2	164.7	135.6	203.8	149.0	232.3	240.8	70.3	218.9	610.7	15.99
May	129.2	178.9	138.2	231.5	156.3	272.5	243.0	69.4	241.6	673.9	16.96
Jun	123.8	169.2	135.1	213.4	162.1	241.3	241.9	68.1	213.7	596.1	15.12
Jul	129.2	176.9	139.1	225.7	158.0	262.6	256.8	73.5	227.2	633.7	16.06
Aug	125.3	173.4	134.3	224.1	150.4	264.0	254.3	72.9	226.8	632.6	15.85
Sep	125.0	172.0	134.9	219.9	139.1	264.0	219.5	61.2	214.4	598.2	15.12
Oct	132.2	180.5	144.2	227.5	137.4	276.6	...	57.3	210.0	585.8	14.93
Nov	132.0	184.1	152.0	225.6	135.0	274.9	...	58.5	225.1	627.8	15.66
Dec	130.6	186.6	154.1	228.2	139.9	276.9	...	62.8	225.8	629.9	15.32

NON-ENERGY COMMODITY PRICE INDEX



PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist, IMF, ECB and BE.

a. The weights are based on the value of the world commodity imports during the period 1999-2001.

b. Index of the average price in US dollars of various medium, light and heavy crudes.

c. Index of the London market's 15.30 fixing in dollars.

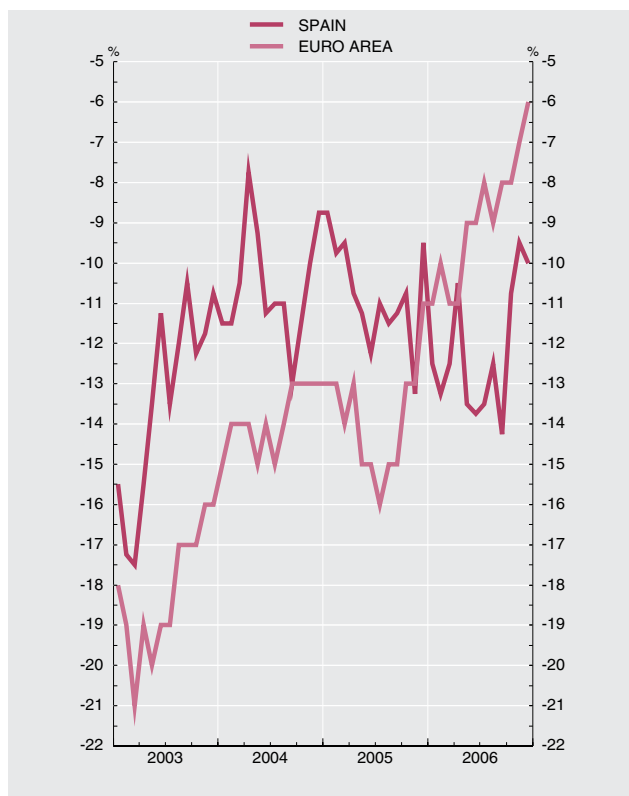
### 3.1. INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

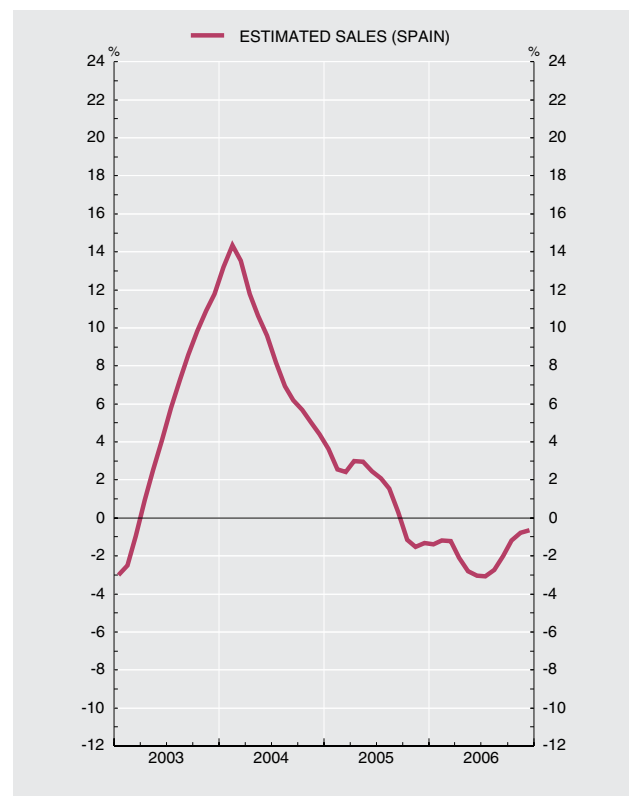
Annual percentage changes

		Opinion surveys (net percentages)						New car registrations and sales				Retail trade: sales index						
		Consumers			Retail trade confidence index	Memorandum item: euro area		of which		Estimated sales	Memorandum item: euro area	General index			By type of product (deflated indices)		Memorandum item: euro area deflated index	
		Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index	Registrations	Private use			Registrations	Nominal	Deflated (a)	Large retail outlets (a)	Food (b)		Other (c)
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
03		-13	-9	-2	-2	-18	-10	6.0	4.0	3.8	-1.5	5.7	2.9	5.2	0.8	4.2	0.8	
04		-11	-4	-1	-6	-14	-8	10.8	12.2	9.8	0.9	5.5	2.8	4.4	0.4	4.5	1.4	
05		-11	-7	-1	-5	-14	-8	1.4	1.9	0.8	1.6	4.4	1.3	3.2	0.1	2.1	1.3	
05 J-D		-11	-7	-1	-5	-14	-8	1.4	1.9	0.8	1.6	4.4	1.3	3.2	0.1	2.1	1.3	
06 J-D	A	-12	-12	-3	-9	-9	1	-1.0	-0.8	-2.0	...	...	...	...	...	...	...	
06 Jan	P	-13	-10	-3	-10	-11	-6	0.1	-1.1	-0.3	2.0	4.7	0.2	-0.2	-0.6	0.4	1.3	
Feb	P	-13	-11	-3	-13	-10	-3	-1.6	3.9	-2.3	2.6	4.2	0.1	1.6	-1.1	0.8	1.2	
Mar	P	-13	-12	-3	-13	-11	-1	8.7	11.7	8.2	1.5	6.6	2.4	3.6	0.2	4.0	0.1	
Apr	P	-11	-11	-	-2	-11	2	-10.4	-16.6	-10.5	1.8	0.4	-3.3	0.5	-1.8	-4.2	2.4	
May	P	-14	-14	-4	-11	-9	-1	1.5	5.5	0.5	8.9	6.7	2.4	5.6	1.5	3.0	1.3	
Jun	P	-14	-13	-4	-19	-9	2	-1.5	0.1	-3.5	-2.5	4.5	0.4	0.8	1.6	-0.2	1.3	
Jul	P	-14	-15	-3	-9	-8	-	-3.9	-6.5	-5.1	-4.7	5.4	1.3	3.2	0.6	1.8	2.1	
Aug	P	-13	-11	-2	-1	-9	3	-2.4	-1.8	-3.8	-1.2	7.1	3.4	4.3	1.8	4.8	1.9	
Sep	P	-14	-13	-4	-5	-8	3	-6.4	-6.4	-7.2	0.8	5.4	3.0	6.3	1.5	4.0	1.1	
Oct	P	-11	-10	-2	-7	-8	4	7.1	8.1	5.8	-0.3	4.2	2.2	-1.1	-1.2	4.5	1.0	
Nov	P	-10	-9	-1	-11	-7	3	1.9	2.1	0.1	4.5	5.6	3.5	3.6	3.0	3.8	1.3	
Dec	A	-10	-11	-2	-8	-6	-	-4.7	-6.3	-5.5	...	...	...	...	...	...	...	

#### CONSUMER CONFIDENCE INDEX



#### CAR SALES Trend obtained with TRAMO-SEATS



Sources: European Commission, European Economy, Supplement B, INE, Dirección General de Tráfico, Asociación Nacional de Fabricantes de Automóviles y Camiones and ECB.

a. Until December 2002, deflated by the total CPI. From January 2003, INE.

b. Until December 2002, deflated by the food component of the CPI. From January 2003, INE.

c. Until December 2002, deflated by the total CPI excluding foods, beverages, and tobacco. From January 2003, INE.

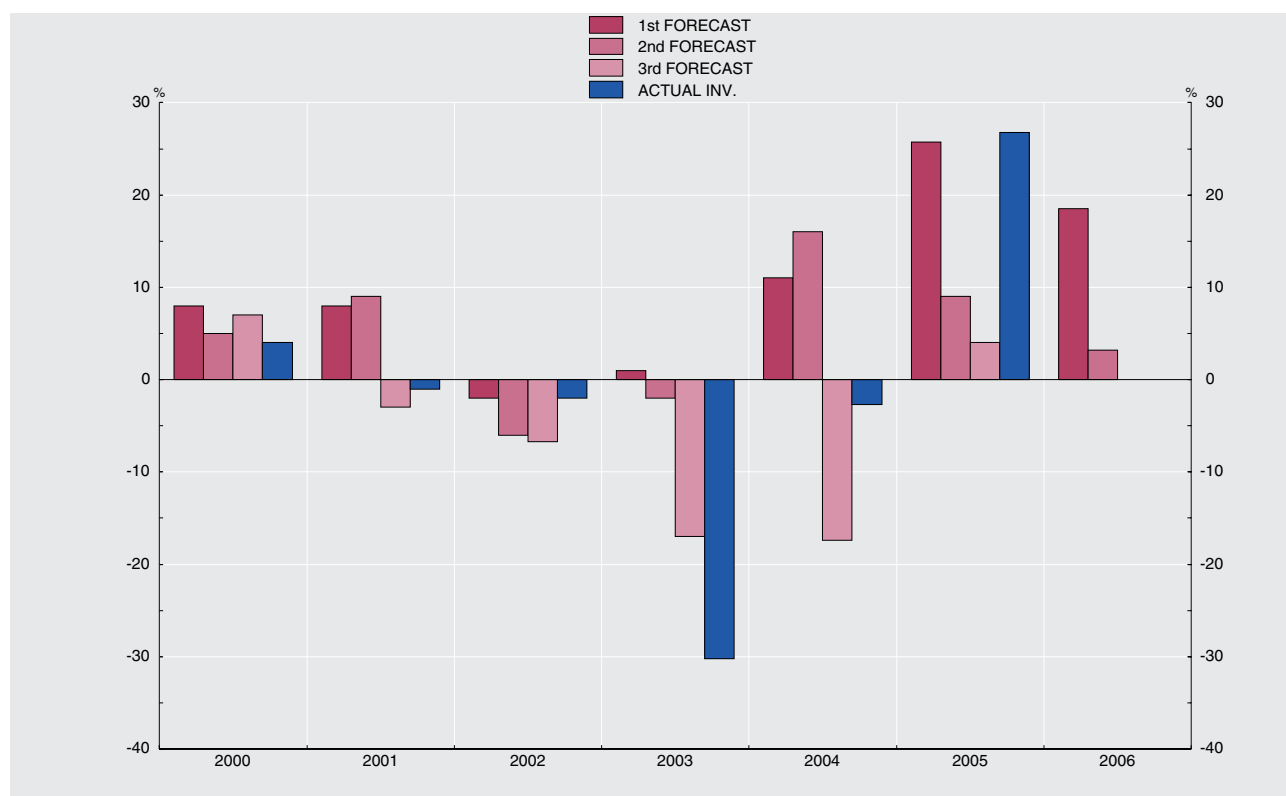
### 3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	1	2	3	4	
	ACTUAL INV.	1st FORECAST	2nd FORECAST	3rd FORECAST	
00	1	4	8	5	7
01		-1	8	9	-3
02		-2	-2	-6	-7
03		-30	1	-2	-17
04		-3	11	16	-17
05		27	26	9	4
06		...	19	3	...

#### INVESTMENT IN INDUSTRY Annual rates of change



Source: Ministerio de Industria, Turismo y Comercio.

Note: The first forecast is made in the autumn of the previous year and the second and third ones in the spring and autumn of the current year, respectively; the information relating to actual investment for the year  $t$  is obtained in the spring of the year  $t+1$ .

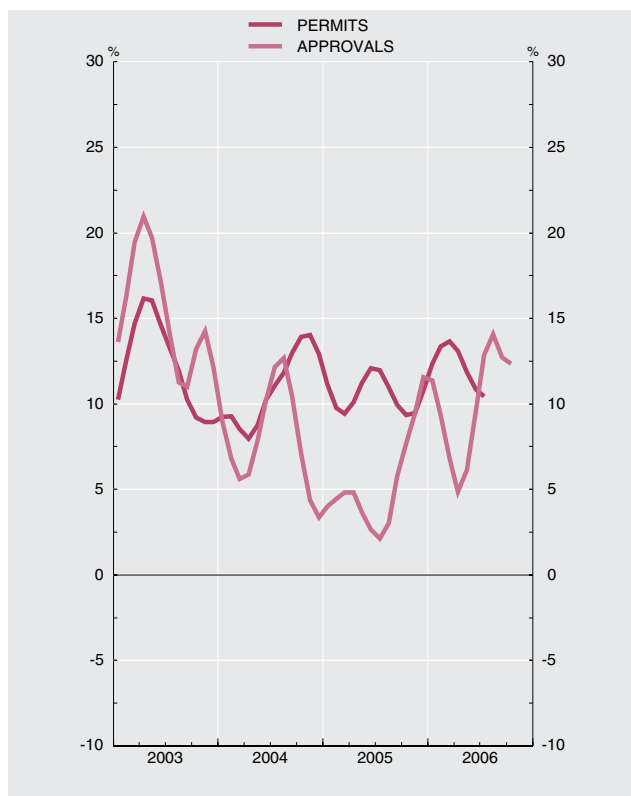
### 3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

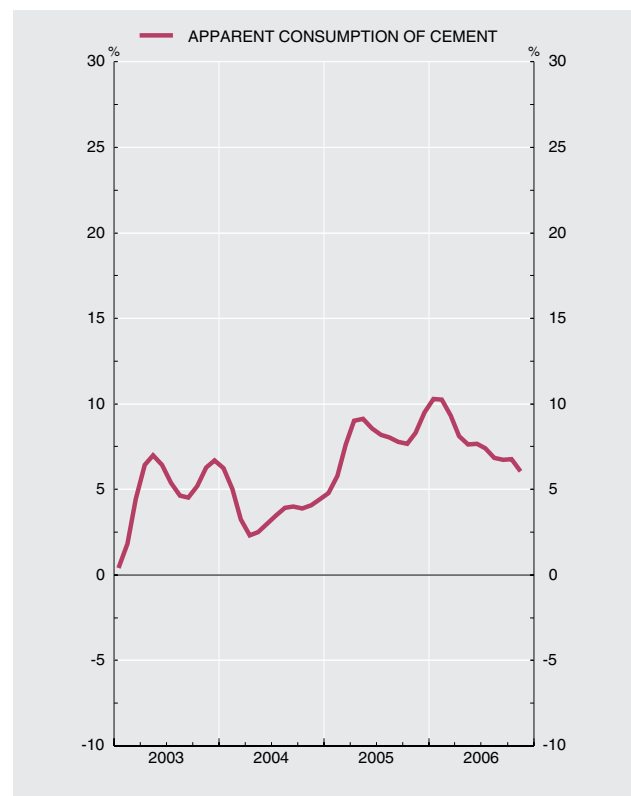
Annual percentage changes

		Permits: buildable floorage			Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement		
		Total	of which		Non-residential	of which		Total		Building					Civil engineering	
			Residential	Housing		Total	Housing	For the month	Year to date	Total	Residential	of which				Non-residential
												Housing	Non-residential			
1	2	3	4	5	6	7	8	9	10	11	12	13	14			
03		13.4	16.2	16.3	2.0	17.5	19.9	-10.9	-10.9	-0.3	-11.7	35.4	3.8	-14.8	4.8	
04		12.8	13.7	14.5	8.4	6.3	9.9	18.3	18.3	3.2	30.9	-0.5	-5.2	24.9	3.9	
05	P	7.7	8.4	8.6	4.4	5.3	4.8	18.5	18.5	40.5	15.1	30.2	51.1	10.7	7.3	
05 J-N	P	7.9	8.8	9.0	3.7	4.5	4.1	18.8	18.8	51.7	24.7	41.1	62.8	8.2	7.2	
06 J-N	A	...	...	...	...	...	...	...	...	...	...	...	...	...	8.6	
05 Aug	P	8.3	13.7	12.4	-17.0	-6.0	-1.8	21.0	9.0	12.0	-23.9	559.0	50.6	24.2	15.7	
Sep	P	8.5	10.5	13.5	-0.9	20.9	19.9	89.7	13.2	48.0	8.9	2.4	62.8	108.7	7.4	
Oct	P	5.4	6.3	5.7	0.8	3.1	4.9	63.1	16.9	32.9	-7.2	189.3	47.2	80.6	6.3	
Nov	P	-6.8	-7.0	-7.6	-5.9	5.8	6.8	42.9	18.8	81.5	88.4	101.2	79.8	18.6	3.9	
Dec	P	5.4	4.2	4.6	11.2	14.8	13.7	15.1	18.5	-21.2	-35.6	-16.8	-14.8	42.7	8.8	
06 Jan	P	28.5	28.6	28.8	28.1	23.9	18.9	18.1	18.1	142.2	259.8	192.9	83.9	-5.7	15.5	
Feb	P	14.4	16.6	15.9	3.6	5.4	4.3	8.6	14.9	16.9	132.3	156.4	-5.3	4.1	12.9	
Mar	P	26.8	21.3	21.5	58.4	15.2	18.0	15.2	15.1	26.2	62.8	279.8	11.3	9.9	22.0	
Apr	P	12.6	2.8	5.1	61.8	-16.2	-14.0	25.9	17.8	38.7	-28.8	6.2	58.9	20.2	-8.9	
May	P	16.1	8.1	7.3	63.0	10.8	14.8	68.9	28.6	46.5	203.4	144.8	16.0	78.7	9.9	
Jun	P	1.6	4.6	3.9	-11.9	11.5	14.4	11.0	25.4	4.8	54.5	5.8	-3.3	14.8	10.8	
Jul	P	9.9	10.2	10.3	8.7	12.9	20.0	0.8	21.3	-12.9	-46.9	7.4	7.3	8.7	9.4	
Aug	A	...	...	...	...	33.2	36.2	31.2	22.9	44.6	19.1	44.5	58.4	26.9	4.0	
Sep	A	...	...	...	...	82.8	92.6	25.9	23.2	72.5	184.8	179.7	44.0	10.8	-0.1	
Oct	A	...	...	...	...	18.3	20.1	57.8	26.8	36.5	150.4	32.5	10.9	66.8	16.4	
Nov	A	...	...	...	...	...	...	...	...	...	...	...	...	...	6.8	

CONSTRUCTION  
Trend obtained with TRAMO-SEATS



CONSTRUCTION  
Trend obtained with TRAMO-SEATS



Sources: Ministerio de Fomento and Asociación de Fabricantes de Cemento de España.  
Note: The underlying series for this indicator are in Tables 23.7, 23.8, and 23.9 of the BE Boletín estadístico.

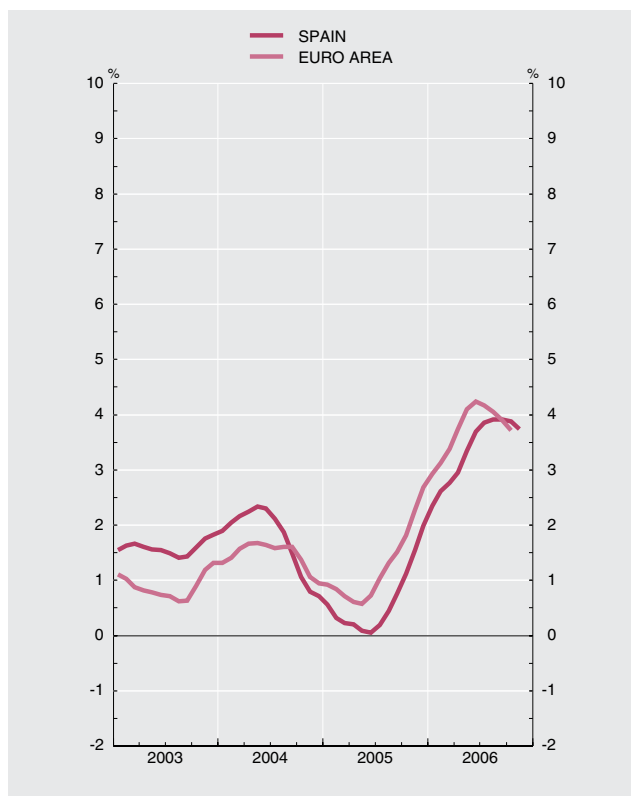
### 3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA

■ Series depicted in chart.

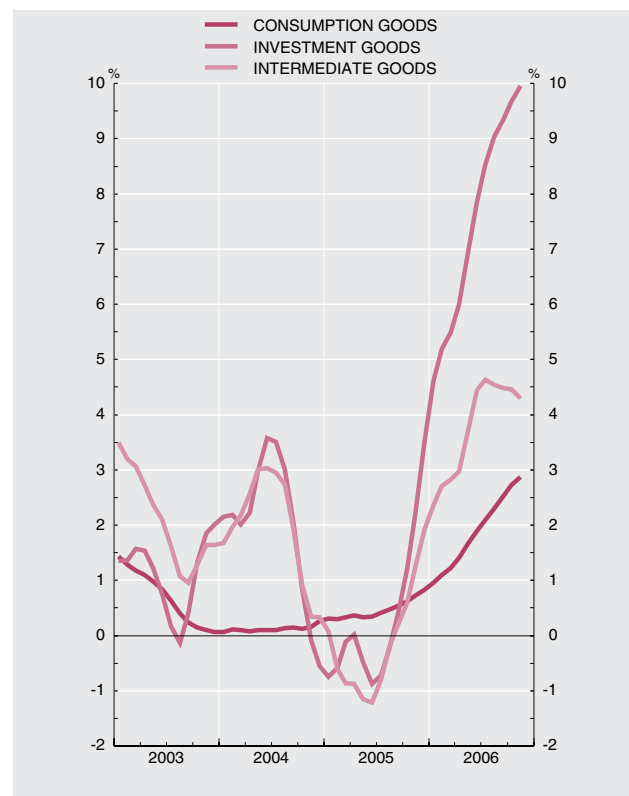
Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity			Memorandum item: euro area				
		Total		Consumption	Investment	Inter-mediate goods	Energy	Mining and quarrying	Manufacturing	Production and distribution of electricity, gas and water	of which		By end-use of goods		
		Original series	12-month %change 12								Total	Manufacturing	Consumption	Investment	Inter-mediate goods
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
03	MP	100.5	1.6	0.5	0.8	2.1	3.9	0.0	1.5	2.9	0.3	0.1	-0.3	-0.1	0.3
04	MP	102.3	1.8	0.0	1.9	1.9	4.9	-4.8	1.2	7.0	2.0	2.1	0.5	3.3	2.2
05	MP	102.4	0.1	0.2	-0.7	-0.6	2.9	-4.0	-0.3	4.1	1.2	1.3	0.6	2.6	0.8
05 J-N	MP	102.9	-0.0	0.3	-0.9	-0.8	2.6	-3.6	-0.4	3.8	1.1	1.1	0.5	2.5	0.7
06 J-N	MP	107.0	4.0	2.3	8.2	4.2	1.3	2.5	4.3	1.6	3.7	3.9	2.2	5.1	4.7
05 Aug	P	76.0	3.7	4.2	5.7	4.8	-0.7	5.9	4.3	-0.4	2.5	2.9	3.3	2.7	3.4
Sep	P	107.9	0.2	0.5	-2.2	-0.1	3.9	-1.7	-	2.1	1.3	1.6	1.6	3.0	0.9
Oct	P	104.7	-0.1	-	-0.9	-1.1	3.7	-4.8	-0.2	1.4	0.4	0.8	0.8	0.4	1.0
Nov	P	110.6	0.9	0.2	-1.3	1.1	5.5	-2.1	0.4	6.3	3.1	3.5	1.4	4.7	3.7
Dec	P	96.8	1.4	-1.1	2.4	1.0	5.4	-8.6	0.8	6.7	2.9	2.6	1.6	4.0	2.5
06 Jan	P	102.0	5.4	3.0	12.0	4.9	3.8	0.8	5.6	4.5	3.0	2.3	1.0	4.1	2.2
Feb	P	102.8	2.7	1.7	4.6	2.6	2.9	7.3	2.9	1.4	2.9	3.1	2.5	5.6	1.8
Mar	P	116.5	11.0	9.0	18.1	11.7	3.6	16.7	12.1	0.8	4.2	5.0	2.7	5.4	4.7
Apr	P	96.7	-9.8	-12.5	-10.0	-9.8	-3.6	-4.8	-10.5	-5.1	2.0	1.0	0.2	2.7	2.9
May	P	115.6	8.1	7.6	13.2	7.4	3.2	4.5	8.7	3.7	5.5	6.3	4.2	8.0	6.9
Jun	P	115.8	5.2	2.6	8.7	6.2	3.0	1.2	5.6	2.7	4.9	5.1	2.9	5.2	7.3
Jul	P	110.8	4.2	1.2	7.1	5.1	4.1	-7.3	3.9	7.2	3.4	3.7	1.6	3.9	5.1
Aug	P	79.8	5.0	2.0	14.0	5.2	3.3	-1.5	5.4	3.8	5.4	5.9	2.4	7.2	7.8
Sep	P	109.1	1.1	-0.5	3.4	1.5	0.1	-2.8	1.0	2.6	3.3	3.5	1.4	4.7	4.5
Oct	P	112.2	7.2	7.7	11.5	7.2	0.4	12.5	7.7	2.0	3.6	4.2	2.8	4.6	5.4
Nov	P	115.2	4.2	4.1	11.6	4.6	-7.0	2.7	5.5	-6.6	2.5	3.4	2.3	4.9	3.2

INDUSTRIAL PRODUCTION INDEX  
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX  
Trend obtained with TRAMO-SEATS



Sources: INE and BCE.

Note: The underlying series for this indicator are in Table 23.1 of the BE Boletín estadístico.

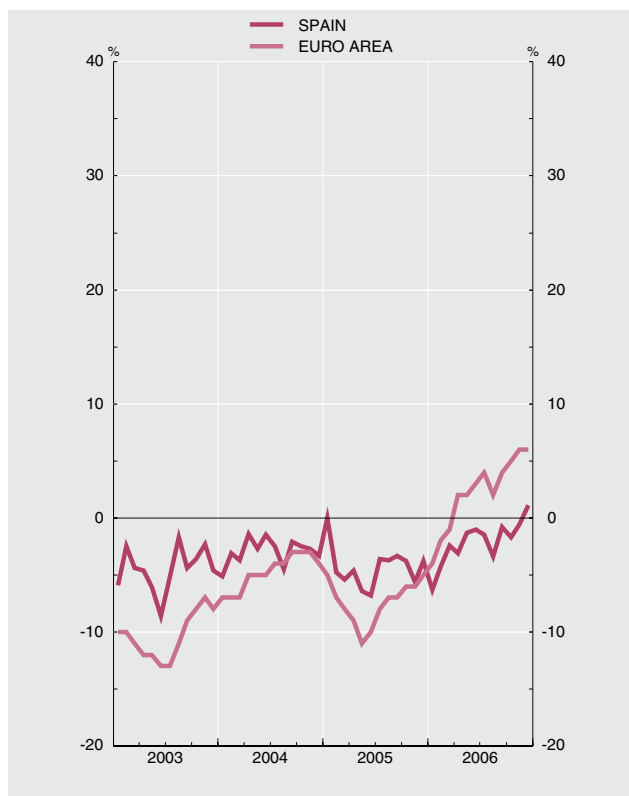
### 3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ Series depicted in chart.

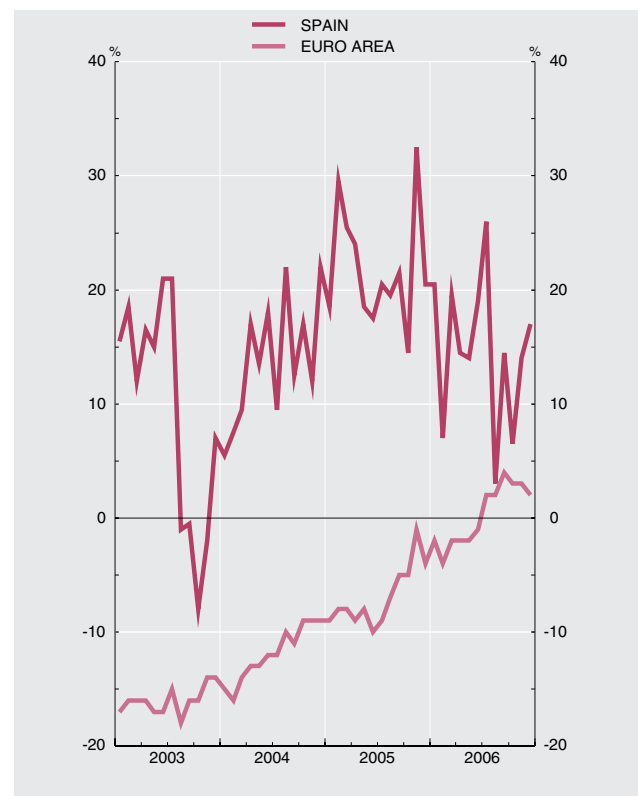
Percentage balances

		Industry, excluding construction										Construction					Memorandum item: euro area		
		Business climate indicator	Production over the last three months	Trend in production	Total orders	Foreign orders	Stocks of finished products	Business climate indicator				Business climate indicator	Production	Orders	Trend		Industry, excluding construction		Construction climate indicator
		(a)		(a)	(a)		(a)	Consumption (a)	Investment (a)	Intermediate goods (a)	Other sectors (a)				Production	Orders	Business climate indicator	Order Book	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
03	M	-4	4	8	-11	-20	10	-1	-3	-9	1	10	9	20	30	19	-10	-25	-16
04	M	-3	4	10	-8	-17	11	-3	1	-5	-0	14	7	21	30	26	-5	-16	-12
05	M	-4	0	7	-9	-18	12	-2	-5	-6	1	22	31	35	30	22	-7	-17	-7
05 J-D	M	-4	0	7	-9	-18	12	-2	-5	-6	1	22	31	35	30	22	-7	-17	-7
06 J-D	M	-2	7	6	-1	-11	12	-3	1	-3	-1	15	27	22	23	15	2	-0	0
05 Sep		-3	-4	6	-5	-18	10	-3	-6	-3	3	22	37	32	39	20	-7	-16	-5
Oct		-4	-1	7	-10	-20	8	-3	-6	-4	3	15	43	23	13	26	-6	-16	-5
Nov		-6	1	5	-8	-14	14	-4	-9	-6	2	33	30	54	15	11	-6	-16	-1
Dec		-4	-2	7	-6	-16	13	-1	-4	-6	-1	21	39	31	7	19	-5	-13	-4
06 Jan		-6	-3	5	-8	-19	16	-4	-7	-8	2	21	25	37	39	32	-4	-12	-2
Feb		-4	1	4	-6	-16	11	-4	-	-7	-1	7	-2	21	27	2	-2	-10	-4
Mar		-2	2	6	-1	-13	13	-2	-0	-4	-1	20	15	31	19	21	-1	-6	-2
Apr		-3	7	3	-2	-12	10	-4	0	-4	-1	15	49	19	41	-1	2	-1	-2
May		-1	2	7	1	-8	11	-5	4	-1	-2	14	31	18	47	25	2	-2	-2
Jun		-1	10	9	-1	-7	11	-2	0	-1	-1	19	51	22	34	9	3	2	-1
Jul		-2	11	8	-2	-9	11	-2	-1	-1	-1	26	39	37	22	16	4	3	2
Aug		-3	12	4	-2	-9	13	-5	-6	-1	-0	3	38	-1	7	3	2	3	2
Sep		-1	9	9	0	-11	12	-1	3	-2	-2	15	51	21	21	5	4	4	4
Oct		-2	10	6	1	-9	12	-5	4	-2	-4	7	10	13	12	3	5	5	3
Nov		-1	10	8	3	-10	13	-1	3	-2	-2	14	13	18	2	30	6	6	3
Dec		1	12	7	5	-9	9	-1	7	-	-1	17	9	32	7	38	6	7	2

**INDUSTRIAL BUSINESS CLIMATE**  
Percentage balances



**CONSTRUCTION BUSINESS CLIMATE**  
Percentage balances



Sources: Ministerio de Industria, Turismo y Comercio and ECB.  
a. Seasonally adjusted.

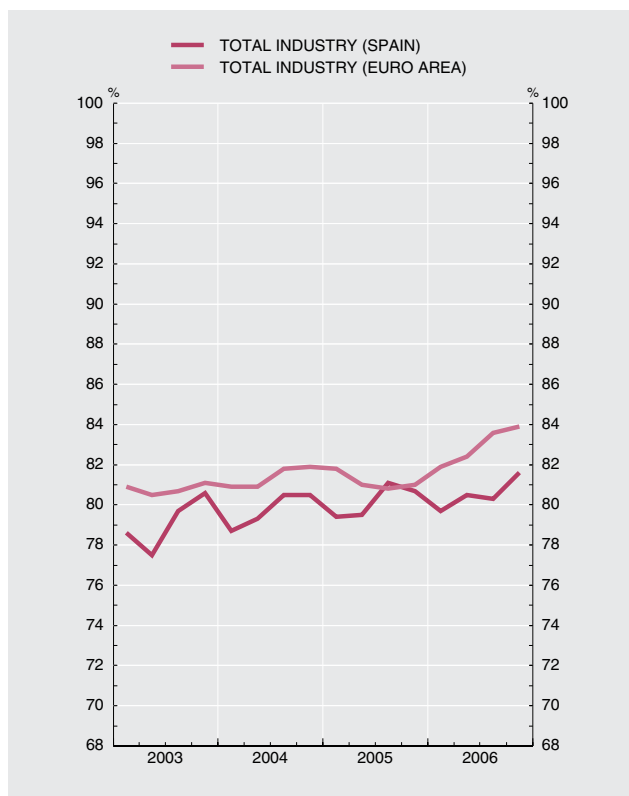
### 3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA

■ Series depicted in chart.

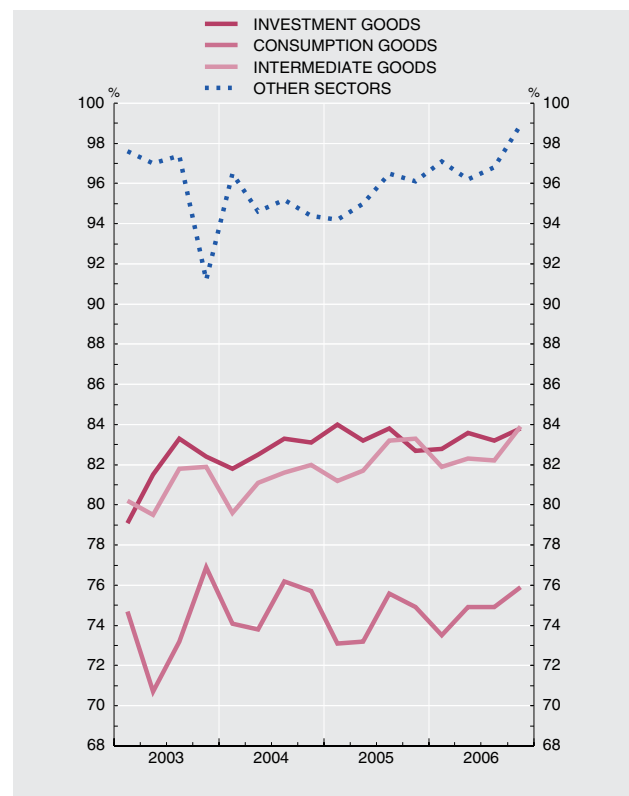
Percentages and percentage balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors			Memo- randum item: euro area capacity utilisation		
	Capacity utilisation		Installed capacity  (Per- centage balan- ces)	Capacity utilisation		Installed capacity  (Per- centage balan- ces)	Capacity utilisation		Installed capacity  (Per- centage balan- ces)	Capacity utilisation		Installed capacity  (Per- centage balan- ces)	Capacity utilisation		Installed capacity  (Per- centage balan- ces)			
	Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast	
	(%)	(%)		(%)	(%)		(%)	(%)		(%)	(%)		(%)	(%)		(%)	(%)	(%)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
03	79.1	80.9	6	73.9	76.7	7	81.6	83.0	7	80.9	82.2	5	95.8	95.6	-1	80.8		
04	79.8	81.0	6	75.0	76.6	7	82.7	83.5	6	81.1	82.3	5	95.2	95.2	2	81.4		
05	80.2	81.5	5	74.2	76.3	6	83.4	84.3	5	82.4	83.3	4	95.5	95.1	0	81.2		
05 Q1-Q4	80.2	81.5	5	74.2	76.3	6	83.4	84.3	5	82.4	83.3	4	95.5	95.1	0	81.2		
06 Q1-Q4	80.5	81.6	4	74.8	76.5	4	83.4	83.8	7	82.6	83.5	4	97.3	97.5	-	83.0		
04 Q2	79.3	81.2	6	73.8	76.2	5	82.5	83.8	8	81.1	83.0	7	94.6	94.6	-	80.9		
Q3	80.5	81.2	6	76.2	77.5	9	83.3	83.5	4	81.6	82.0	5	95.2	95.5	-	81.8		
Q4	80.5	81.3	2	75.7	76.8	2	83.1	84.0	2	82.0	82.6	1	94.4	94.1	6	81.9		
05 Q1	79.4	81.2	4	73.1	75.9	3	84.0	84.8	4	81.2	82.6	4	94.2	95.0	-	81.8		
Q2	79.5	81.7	5	73.2	76.3	6	83.2	85.1	3	81.7	83.4	5	95.0	96.6	-	81.0		
Q3	81.1	81.8	5	75.6	76.4	8	83.8	84.4	4	83.2	83.9	5	96.5	96.7	-	80.8		
Q4	80.7	81.3	5	74.9	76.7	6	82.7	82.9	8	83.3	83.4	3	96.1	91.9	0	81.0		
06 Q1	79.7	80.5	9	73.5	75.5	6	82.8	82.6	14	81.9	82.5	9	97.1	97.4	-	81.9		
Q2	80.5	82.2	5	74.9	77.9	5	83.6	84.2	7	82.3	83.8	5	96.2	96.5	-	82.4		
Q3	80.3	81.1	2	74.9	75.9	1	83.2	83.4	4	82.2	83.0	1	96.8	97.8	-	83.6		
Q4	81.6	82.4	2	75.9	76.5	3	83.8	84.8	5	83.9	84.8	-0	98.9	98.4	-	83.9		

**CAPACITY UTILISATION. TOTAL INDUSTRY**  
Percentages



**CAPACITY UTILISATION. BY TYPE OF GOOD**  
Percentages



Sources: Ministerio de Industria, Turismo y Comercio and ECB.



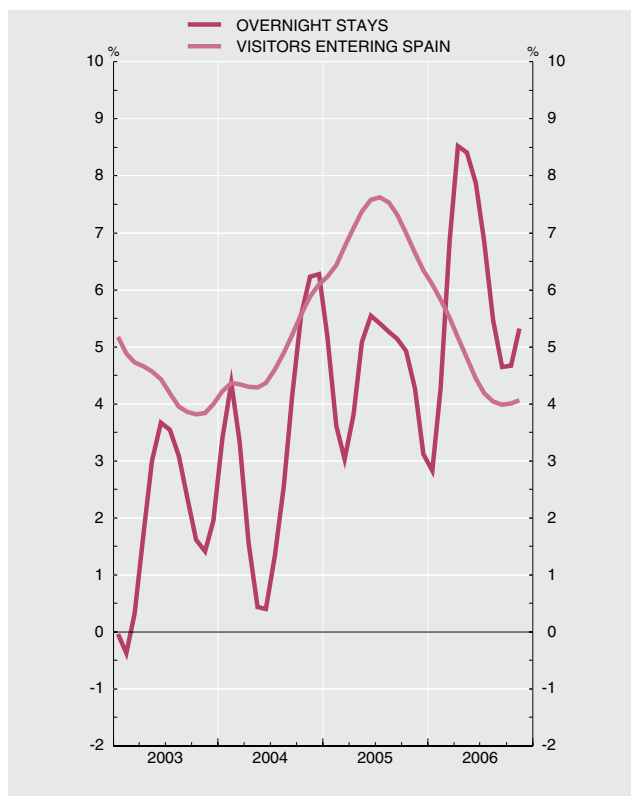
### 3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

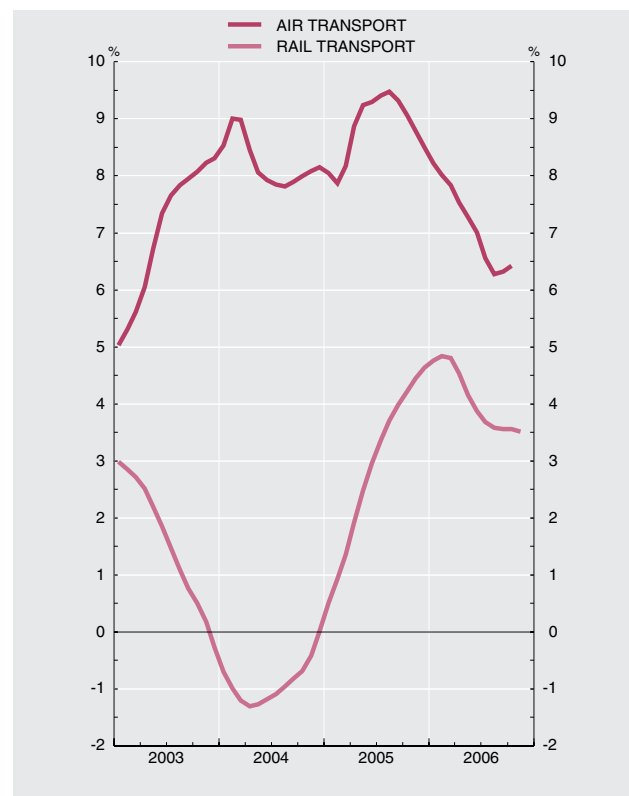
Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
		Total	Foreigners	Total	Foreigners	Total	Tourists	Day-trip-ers	Passengers			Freight	Passen- gers	Freight	Passen- gers	Freight
		1	2	3	4	5	6	7	Total	Domestic flights	Interna- tional flights	11	12	13	14	15
03		3.8	2.1	2.4	0.7	2.9	-2.8	13.6	7.4	8.1	7.0	0.5	-3.3	4.8	1.4	2.1
04		6.9	1.4	2.9	-1.6	4.4	3.1	6.6	8.0	9.8	6.8	9.1	10.6	6.8	-1.5	-2.1
05	P	5.7	5.1	4.7	3.1	7.6	6.6	9.2	9.2	13.6	6.2	-3.0	-1.1	9.0	4.3	-2.2
05 J-N	P	5.8	4.9	4.8	3.0	7.8	6.8	9.3	9.3	13.9	6.1	-2.3	-1.2	9.2	4.2	-3.0
06 J-N	P	6.0	6.5	6.2	6.6	3.8	4.6	2.5	...	...	...	...	...	...	2.5	...
05 Aug	P	4.7	4.6	4.0	3.2	6.5	6.9	6.0	8.7	14.9	5.0	-5.1	-2.2	7.6	5.7	2.5
Sep	P	6.4	8.8	5.3	4.8	12.0	9.2	17.4	10.6	16.4	7.0	-5.0	12.4	3.7	3.8	4.5
Oct	P	3.0	4.6	4.6	5.8	5.1	4.4	6.3	8.3	14.7	4.4	-1.2	-16.0	5.4	2.0	31.3
Nov	P	9.1	10.2	7.1	7.0	6.4	8.6	3.7	10.7	12.5	9.1	-3.1	-1.7	5.3	3.2	-2.4
Dec	P	3.9	8.5	1.6	3.5	5.0	2.8	7.5	9.0	10.4	7.8	-10.5	0.5	7.1	6.4	8.8
06 Jan	P	3.3	0.9	-0.3	-1.2	3.6	-0.1	7.9	7.7	12.5	3.8	-1.5	-2.7	3.6	6.3	5.5
Feb	P	5.6	1.9	1.8	-1.7	6.4	2.0	12.2	5.4	7.5	3.7	-10.1	14.8	5.4	6.4	5.5
Mar	P	2.0	8.1	-1.0	6.4	1.1	0.0	2.7	3.1	6.9	-0.0	-5.4	-20.2	7.9	4.6	5.5
Apr	P	21.8	19.8	24.3	17.5	15.5	17.7	12.2	15.1	9.5	19.6	-16.2	37.8	4.3	-6.5	-22.1
May	P	5.2	9.3	6.3	9.8	6.9	6.9	6.8	6.9	5.4	8.0	-6.3	-2.4	5.2	1.7	7.9
Jun	P	7.4	11.3	10.3	13.5	0.6	5.5	-8.3	9.0	7.3	10.1	-6.8	14.1	-0.4	0.4	-0.2
Jul	P	4.5	4.9	7.9	9.3	-0.4	3.0	-6.7	4.0	1.7	5.5	-2.8	11.9	3.9	1.0	1.9
Aug	P	4.5	4.8	4.4	4.7	2.9	3.3	2.3	3.9	2.5	4.8	-2.5	9.5	3.5	2.0	6.2
Sep	P	3.4	2.6	2.8	2.6	3.2	4.9	0.1	6.0	4.3	7.2	-3.3	10.6	4.4	0.5	-12.3
Oct	P	4.8	2.8	3.9	1.3	2.9	3.6	1.6	6.4	8.7	4.8	-3.9	...	...	5.8	-13.6
Nov	P	4.8	2.7	5.5	4.0	3.4	1.4	6.0	...	...	...	...	...	...	5.7	...

**TOURISM**  
Trend obtained with TRAMO-SEATS



**TRANSPORT**  
Trend obtained with TRAMO-SEATS



Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.

Note: The underlying series for this indicator are in Table 23.15 of the BE Boletín estadístico.

a. From January 2003, the information for Galicia is based on total figures for hotel stays and overnight stays for the month. The directory of hotels has been reviewed thoroughly. Since January 2006, the directories have been update and the information-collection period extended to every day of the month

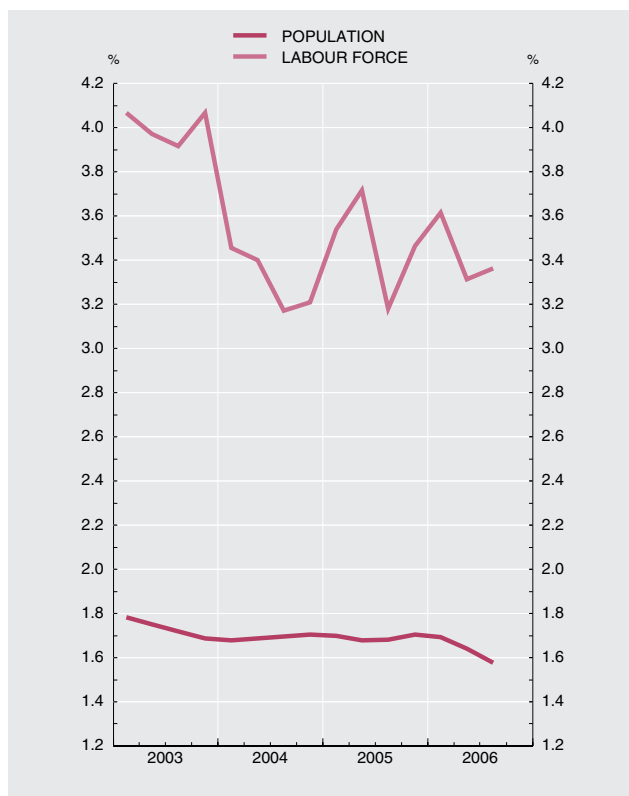
#### 4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

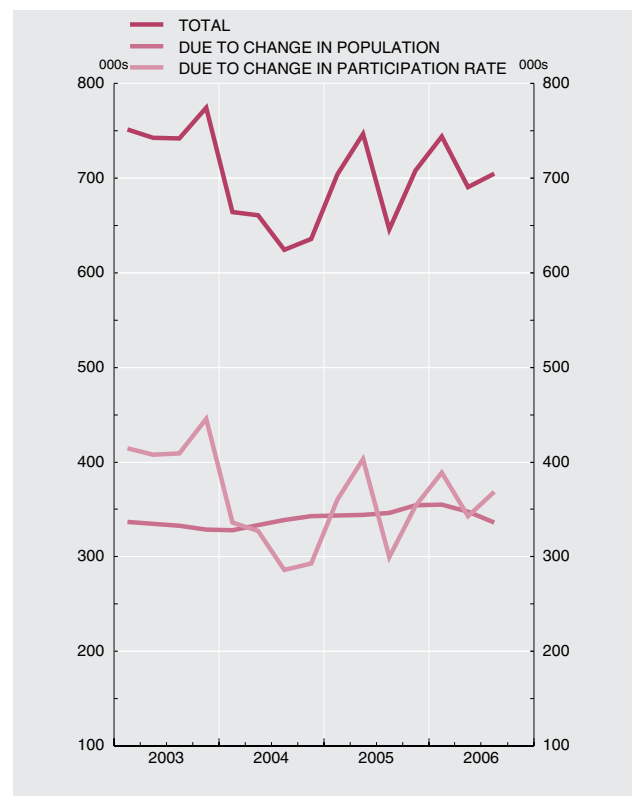
Thousands and annual percentage changes

Population over 16 years of age					Labour force					
		Thousands	Annual change	4-quarter % change	Participation rate (%) (a)	Thousands (a)	Annual change (b)			4-quarter % change
							Total	Due to change in population over 16 years of age	Due to change in participation rate	
		1	2	3	4	5	6	7	8	9
03	M	35 215	601	1.7	55.48	19 538	753	333	419	4.0
04	M	35 811	596	1.7	56.36	20 184	646	336	311	3.3
05	M	36 416	605	1.7	57.35	20 886	701	347	354	3.5
05	Q1-Q3M	36 337	602	1.7	57.23	20 796	2 097	1 034	1 063	3.5
06	Q1-Q3M	36 932	595	1.6	58.24	21 509	2 139	1 039	1 100	3.4
04	Q1	35 583	587	1.7	55.89	19 888	664	328	336	3.5
	Q2	35 735	593	1.7	56.23	20 093	661	333	327	3.4
	Q3	35 887	598	1.7	56.60	20 310	624	339	286	3.2
	Q4	36 038	604	1.7	56.74	20 447	636	343	293	3.2
05	Q1	36 188	604	1.7	56.90	20 592	704	344	360	3.5
	Q2	36 335	600	1.7	57.35	20 840	747	344	403	3.7
	Q3	36 490	603	1.7	57.43	20 956	646	346	300	3.2
	Q4	36 652	614	1.7	57.72	21 156	708	354	354	3.5
06	Q1	36 800	613	1.7	57.98	21 336	744	355	389	3.6
	Q2	36 931	597	1.6	58.30	21 530	691	348	343	3.3
	Q3	37 065	575	1.6	58.44	21 661	705	336	368	3.4

LABOUR FORCE SURVEY  
Annual percentage change



LABOUR FORCE  
Annual changes



Source: INE (Labour Force Survey: 2005 methodology).

a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See [www.ine.es](http://www.ine.es)).

b. Col.7 = (col.5/col.1) x annual change in col. 1. Col. 8 = (annual change in col.4/100) x col. 1(t-4).

Note: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see [www.ine.es](http://www.ine.es).

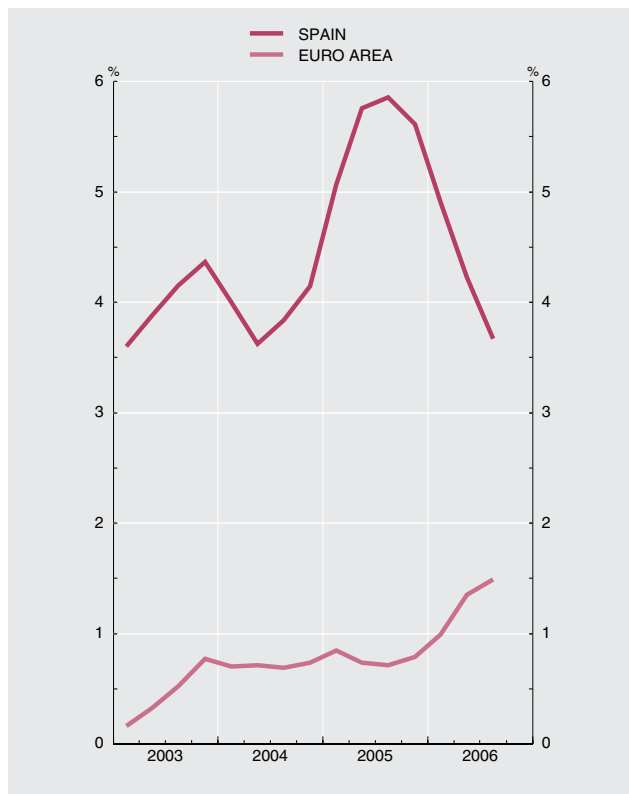
## 4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

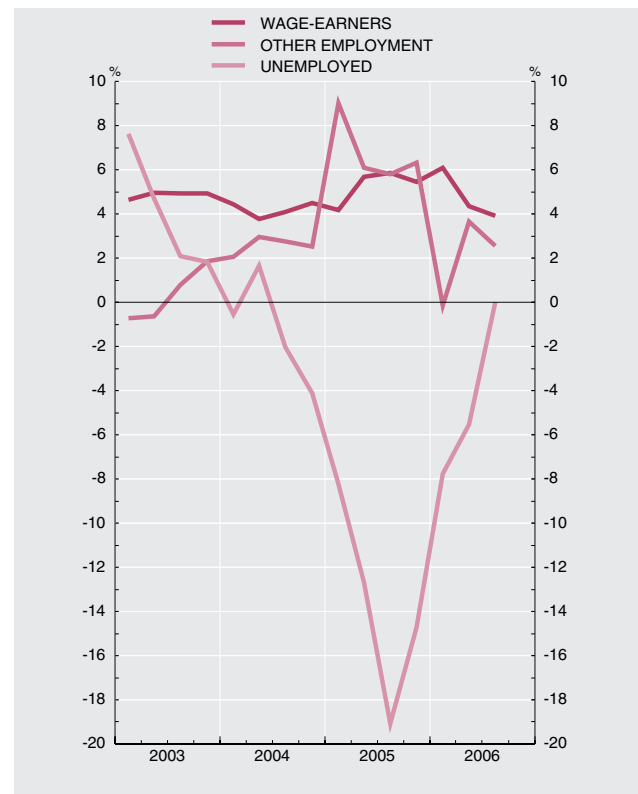
Thousands and annual percentage changes

		Employment									Unemployment			Memorandum item: euro area		
		Total			Wage-earners			Other			Thousands (a)	Annual change	4-quarter % change	Unem- ployment rate (a)	Employ- ment 4-quarter % change	Unem- ployment rate
		Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change						
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
03	M	17 296	666	4.0	14 127	656	4.9	3 169	10	0.3	2 242	87	4.0	11.48	0.4	8.69
04	M	17 971	675	3.9	14 721	593	4.2	3 250	82	2.6	2 214	-29	-1.3	10.97	0.7	8.83
05	M	18 973	1 002	5.6	15 502	781	5.3	3 471	221	6.8	1 913	-301	-13.6	9.16	0.8	8.62
05	Q1-Q3M	18 860	994	5.6	15 389	769	5.3	3 471	226	7.0	1 936	-296	-13.2	9.31	0.8	8.67
06	Q1-Q3M	19 663	803	4.3	16 122	733	4.8	3 541	70	2.0	1 846	-90	-4.7	8.58	1.3	7.94
04	Q1	17 600	677	4.0	14 375	612	4.4	3 225	65	2.1	2 287	-12	-0.5	11.50	0.7	8.84
	Q2	17 866	625	3.6	14 609	531	3.8	3 256	93	3.0	2 227	36	1.6	11.08	0.7	8.86
	Q3	18 129	670	3.8	14 876	583	4.1	3 253	87	2.7	2 181	-45	-2.0	10.74	0.7	8.83
	Q4	18 288	728	4.1	15 022	648	4.5	3 266	81	2.5	2 159	-93	-4.1	10.56	0.7	8.78
05	Q1	18 493	892	5.1	14 977	602	4.2	3 516	291	9.0	2 099	-188	-8.2	10.19	0.8	8.79
	Q2	18 895	1 029	5.8	15 440	831	5.7	3 455	198	6.1	1 945	-282	-12.7	9.33	0.7	8.73
	Q3	19 191	1 062	5.9	15 750	874	5.9	3 442	188	5.8	1 765	-416	-19.1	8.42	0.7	8.48
	Q4	19 314	1 026	5.6	15 842	819	5.5	3 473	207	6.3	1 841	-318	-14.7	8.70	0.8	8.46
06	Q1	19 400	907	4.9	15 889	912	6.1	3 511	-5	-0.1	1 936	-163	-7.8	9.07	1.0	8.19
	Q2	19 693	798	4.2	16 112	671	4.3	3 582	127	3.7	1 837	-108	-5.5	8.53	1.4	7.86
	Q3	19 896	705	3.7	16 366	616	3.9	3 530	88	2.6	1 765	-	-	8.15	1.5	7.78

**EMPLOYMENT**  
Annual percentage changes



**LABOUR FORCE: COMPONENTS**  
Annual percentage changes



Sources: INE (Labour Force Survey: 2005 methodology), and ECB.

a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See [www.ine.es](http://www.ine.es)).

Note: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see [www.ine.es](http://www.ine.es).

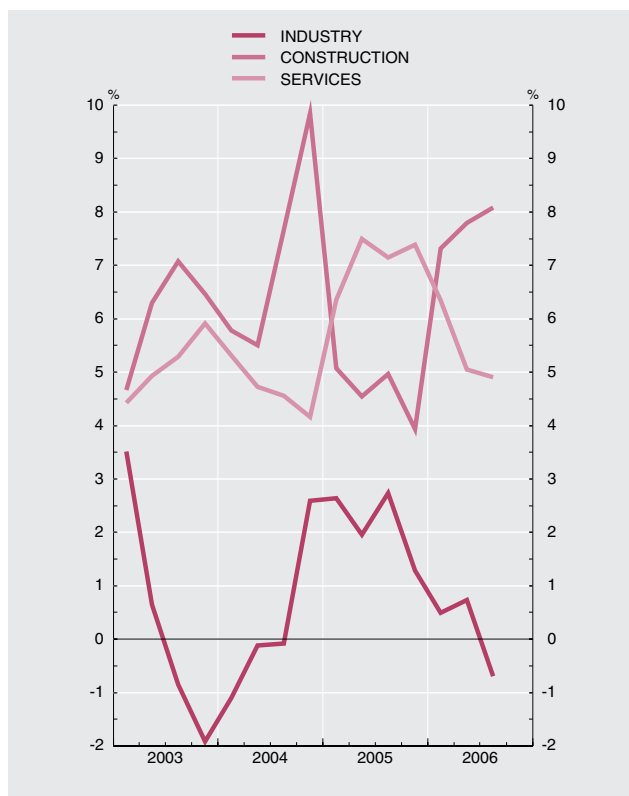
#### 4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

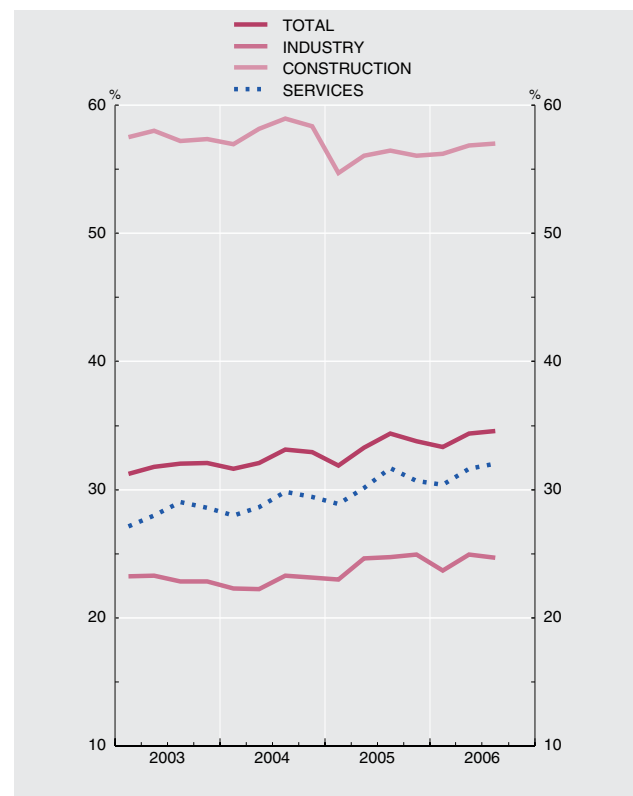
Annual percentage changes

		Total			Agriculture			Industry			Construction			Services			Memorandum item: employment in		
		Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Branches other than agriculture	Branches other than agriculture excluding general government	Services excluding general government
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
03	M	4.0	4.9	31.8	-0.4	3.7	60.6	0.3	-0.0	23.0	6.1	7.5	57.5	5.1	6.0	28.2	4.3	4.2	5.3
04	M	3.9	4.2	32.4	-0.2	3.9	62.1	0.3	1.0	22.7	7.2	6.4	58.1	4.7	4.8	29.0	4.2	4.2	4.9
05	M	5.6	5.3	33.3	1.2	1.7	62.5	2.1	0.5	24.3	4.6	3.3	55.8	7.1	7.3	30.3	5.8	...	...
05	Q1-Q3M	5.6	5.3	2.8	0.7	0.1	1.2	2.4	0.9	6.7	4.9	3.5	-3.9	7.0	7.2	4.9	6.0	...	...
06	Q1-Q3M	4.3	4.8	2.8	-4.7	0.7	-5.0	0.2	0.4	1.4	7.7	8.0	1.7	5.4	5.6	3.7	4.3	...	...
04	Q1	4.0	4.4	31.6	2.6	8.4	63.7	-1.1	-0.5	22.3	5.8	5.5	56.9	5.3	5.6	28.0	4.1	4.2	5.9
	Q2	3.6	3.8	32.1	-0.5	1.9	61.0	-0.1	0.6	22.2	5.5	4.1	58.2	4.7	4.8	28.6	3.9	4.1	5.3
	Q3	3.8	4.1	33.1	0.2	7.5	60.3	-0.1	0.6	23.3	7.7	6.5	58.9	4.6	4.6	29.8	4.0	4.1	4.8
	Q4	4.1	4.5	32.9	-3.1	-1.7	63.5	2.6	3.3	23.1	9.8	9.4	58.3	4.2	4.3	29.4	4.6	4.4	3.7
05	Q1	5.1	4.2	31.9	-1.4	-8.5	61.7	2.6	0.9	23.0	5.1	3.4	54.7	6.4	6.0	28.9	5.5	...	...
	Q2	5.8	5.7	33.3	0.7	3.3	61.9	2.0	0.7	24.6	4.5	3.7	56.0	7.5	7.7	30.1	6.1	...	...
	Q3	5.9	5.9	34.4	2.9	6.4	63.6	2.7	1.0	24.7	5.0	3.3	56.4	7.1	7.8	31.7	6.0	...	...
	Q4	5.6	5.5	33.8	2.7	6.3	62.8	1.3	-0.5	24.9	3.9	2.7	56.1	7.4	7.7	30.7	5.8	...	...
06	Q1	4.9	6.1	33.3	-3.2	8.1	61.3	0.5	0.7	23.7	7.3	8.2	56.2	6.3	7.2	30.4	5.4	...	...
	Q2	4.2	4.3	34.4	-3.0	0.4	59.1	0.7	1.0	24.9	7.8	7.6	56.8	5.0	4.9	31.6	4.6	...	...
	Q3	3.7	3.9	34.6	-8.0	-6.1	57.4	-0.7	-0.6	24.7	8.1	8.3	57.0	4.9	4.8	32.0	4.3	...	...

EMPLOYMENT  
Annual percentage changes



TEMPORARY EMPLOYMENT  
Percentages



Source: INE (Labour Force Survey: 2005 methodology).

a. Branches of activity in accordance with NACE-93.

Notes: The underlying series of this indicator are in Tables 24.4 and 24.6 of the BE Boletín estadístico.

As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see [www.ine.es](http://www.ine.es).

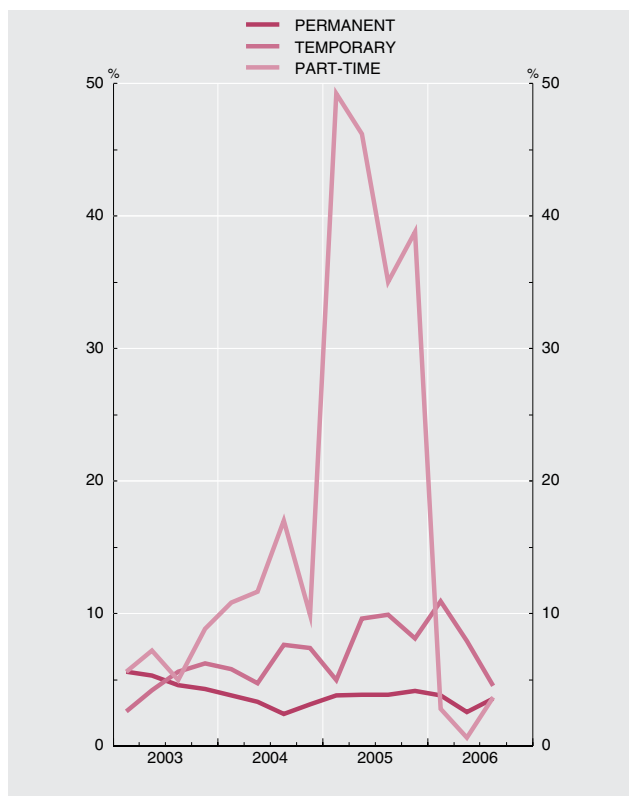
#### 4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

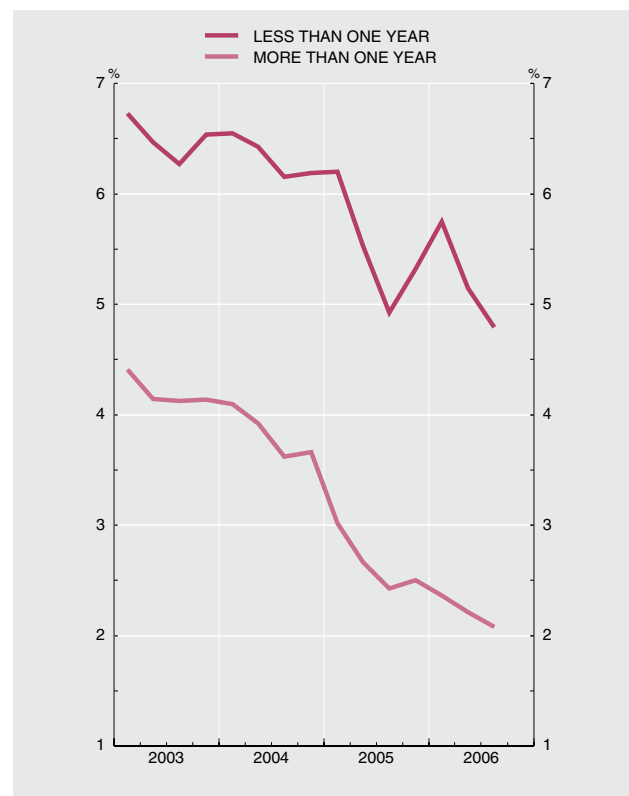
Thousands, annual percentage changes and %

		Wage-earners										Unemployment						
		By type of contract					By duration of working day					By duration				% of unemployed that would accept a job (a)		
		Permanent		Temporary			Full-time		Part-time			Less than one year		More than one year		Entailing a change of residence	With a lower wage	Requiring fewer skills
		Annual change	4-quar-ter % change	Annual change	4-quar-ter % change	Proportion of tempo-rary em-ployment	Annual change	4-quar-ter % change	Annual change	4-quar-ter % change	As % for wage earners	Unem-employment rate	4-quar-ter % change	Unem-employment rate	4-quar-ter % change			
		Thousands		Thousands			Thousands		Thousands			(a)		(a)				
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
03	M	455	4.9	201	4.7	31.77	581	4.7	75	6.7	8.44	6.50	4.9	4.20	3.0	19.99	42.30	47.61
04	M	306	3.2	288	6.4	32.44	447	3.5	147	12.3	9.10	6.33	0.6	3.82	-6.0	18.20	42.19	47.33
05	M	390	3.9	392	8.2	33.32	215	1.6	566	42.2	12.30	5.49	-10.2	2.65	-28.3	...	...	...
05	Q1-Q3M	380	3.8	388	8.2	33.17	403	3.0	578	43.4	12.41	5.55	-10.0	2.70	-27.9	...	...	...
06	Q1-Q3M	342	3.3	391	7.7	34.10	549	3.9	45	2.3	12.11	5.23	-2.5	2.22	-15.1	...	...	...
04	Q1	362	3.8	250	5.8	31.63	485	3.9	127	10.8	9.00	6.55	0.7	4.09	-3.9	17.99	42.10	47.98
	Q2	320	3.3	211	4.7	32.07	390	3.0	141	11.6	9.26	6.43	2.8	3.92	-2.1	18.77	42.48	47.89
	Q3	234	2.4	349	7.6	33.13	388	2.9	195	17.0	9.03	6.15	1.2	3.62	-9.5	18.25	41.60	46.07
	Q4	308	3.2	340	7.4	32.94	524	4.0	123	9.9	9.11	6.19	-2.4	3.66	-8.6	17.78	42.57	47.38
05	Q1	375	3.8	227	5.0	31.88	-36	-0.3	637	49.3	12.89	6.20	-2.0	3.02	-23.7	...	...	...
	Q2	381	3.8	449	9.6	33.26	206	1.6	625	46.2	12.81	5.53	-10.8	2.66	-29.5	...	...	...
	Q3	385	3.9	489	9.9	34.39	403	3.0	471	35.1	11.52	4.92	-17.4	2.43	-30.8	...	...	...
	Q4	417	4.1	402	8.1	33.77	289	2.1	531	38.8	11.98	5.32	-11.0	2.50	-29.4	...	...	...
06	Q1	390	3.8	522	10.9	33.33	858	6.6	54	2.8	12.49	5.75	-3.9	2.36	-18.8	...	...	...
	Q2	265	2.6	406	7.9	34.39	659	4.9	13	0.6	12.35	5.14	-3.8	2.21	-14.2	...	...	...
	Q3	371	3.6	245	4.5	34.59	549	3.9	67	3.7	11.49	4.79	0.6	2.08	-11.5	...	...	...

**WAGE-EARNERS**  
Annual percentage changes



**UNEMPLOYMENT**  
Unemployment rate



Source: INE (Labour Force Survey: 2005 methodology).

a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See [www.ine.es](http://www.ine.es)).

Note: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see [www.ine.es](http://www.ine.es).

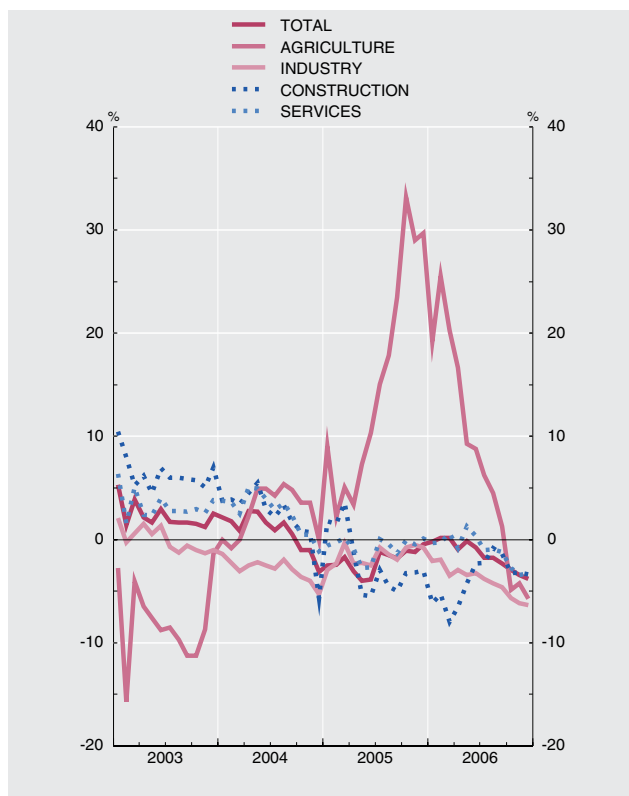
#### 4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

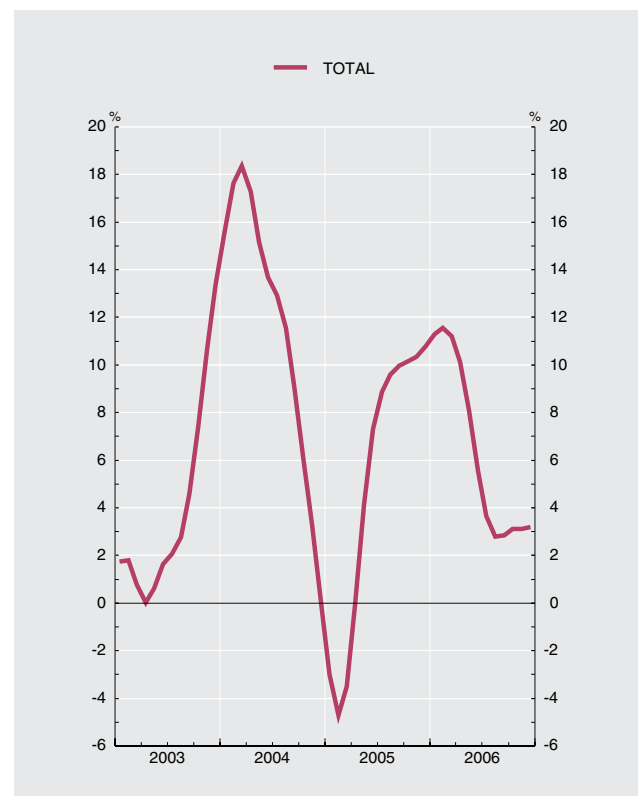
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements		
		Total			First time job-seekers	Previously employed						Total		Percentage of total			Total		
		Thousands	Annual change Thousands	12 month % change	12 month % change	12-month % change						Thousands	12 month % change	Perma- nent	Part time	Tempo- rary	Thousands	12 month % change	
Total	Agri- culture					Branches other than agriculture													
						Total	Industry	Construc- tion	Services										
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
03	M	2 097	47	2.3	-0.5	2.7	-8.2	3.1	-0.0	6.4	3.3	1 222	3.4	8.67	21.21	91.33	1 193	4.2	
04	M	2 114	17	0.8	-5.0	1.7	2.7	1.6	-2.9	2.2	2.7	1 363	11.5	8.67	22.71	91.33	1 336	12.0	
05	M	2 070	-44	-2.1	-12.5	-0.6	15.2	-1.1	-1.6	-2.2	-0.8	1 430	5.0	9.03	23.34	90.97	1 391	4.1	
05	J-D	M	2 070	-44	-2.1	-12.5	-0.6	15.2	-1.1	-1.6	-2.2	-0.8	1 430	5.0	9.03	23.34	90.97	1 391	4.1
06	J-D	M	2 039	-30	-1.5	-0.6	-1.6	7.4	-1.9	-4.0	-4.0	-1.0	1 544	7.9	11.77	23.39	88.23	1 475	6.0
05	Nov Dec		2 096	-26	-1.2	-10.1	0.0	29.0	-0.8	-0.5	-3.2	-0.5	1 569	8.5	9.10	25.24	90.90	1 502	6.2
			2 103	-10	-0.5	-6.8	0.4	29.7	-0.5	-0.7	-3.0	0.1	1 330	8.7	8.16	23.95	91.84	1 295	9.5
06	Jan		2 172	-5	-0.2	4.9	-0.8	19.2	-1.4	-2.1	-6.2	-0.3	1 473	14.6	10.85	21.25	89.15	1 418	12.9
	Feb		2 169	4	0.2	5.9	-0.5	25.6	-1.2	-1.9	-5.3	-0.3	1 367	11.1	11.75	21.83	88.25	1 313	11.7
	Mar		2 149	4	0.2	6.5	-0.6	20.3	-1.2	-3.5	-7.9	0.6	1 556	19.0	11.33	22.42	88.67	1 495	19.8
	Apr		2 076	-20	-1.0	2.5	-1.4	16.7	-1.9	-3.0	-6.5	-0.8	1 304	-1.4	11.17	22.60	88.83	1 269	-0.6
	May		2 005	-3	-0.1	-1.6	0.0	9.3	-0.3	-3.5	-4.3	1.3	1 638	14.5	10.19	22.60	89.81	1 595	16.0
	Jun		1 960	-15	-0.8	-4.3	-0.3	8.8	-0.6	-3.2	-2.3	0.3	1 656	5.7	9.21	22.94	90.79	1 591	2.0
	Jul		1 955	-34	-1.7	-4.4	-1.4	6.3	-1.7	-3.8	-2.3	-1.0	1 671	6.4	10.07	24.30	89.93	1 595	5.4
	Aug		1 984	-35	-1.8	-5.5	-1.3	4.5	-1.5	-4.3	-0.8	-0.9	1 323	1.9	10.58	22.17	89.42	1 252	-1.5
	Sep		1 966	-47	-2.3	-7.2	-1.7	1.3	-1.8	-4.6	-1.4	-1.2	1 675	3.5	11.98	24.92	88.02	1 629	1.0
	Oct		1 993	-60	-2.9	0.6	-3.4	-4.8	-3.3	-5.7	-3.3	-2.8	1 819	11.1	13.17	26.95	86.83	1 740	8.0
	Nov		2 023	-72	-3.5	-0.1	-3.9	-4.3	-3.9	-6.1	-3.2	-3.5	1 660	5.8	13.97	24.83	86.03	1 559	3.7
	Dec		2 023	-80	-3.8	-3.3	-3.9	-5.7	-3.8	-6.4	-3.4	-3.3	1 386	4.3	16.96	23.90	83.04	1 244	-4.0

**REGISTERED UNEMPLOYMENT**  
Annual percentage changes



**PLACEMENTS**  
Annual percentage changes (Trend obtained with TRAMO-SEATS)



Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).

Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

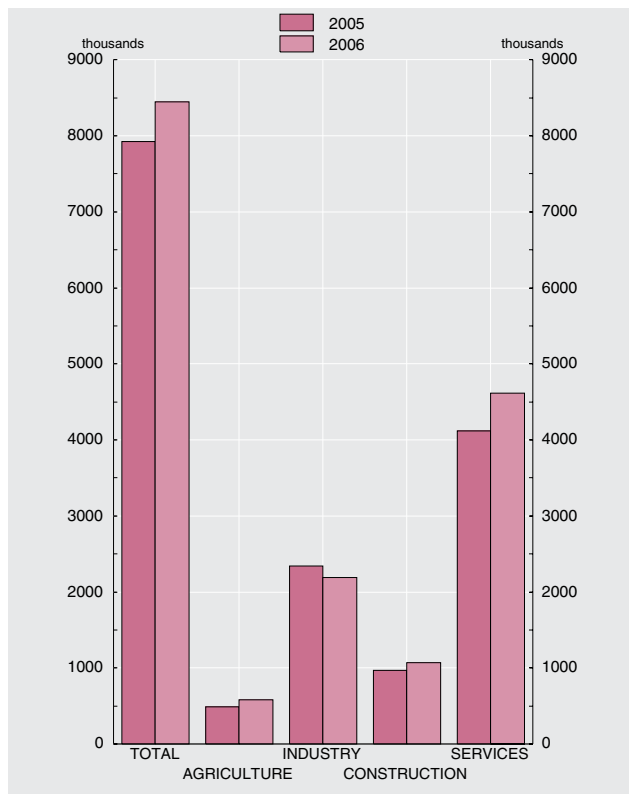
#### 4.6. COLLECTIVE BARGAINING AGREEMENTS

■ Series depicted in chart.

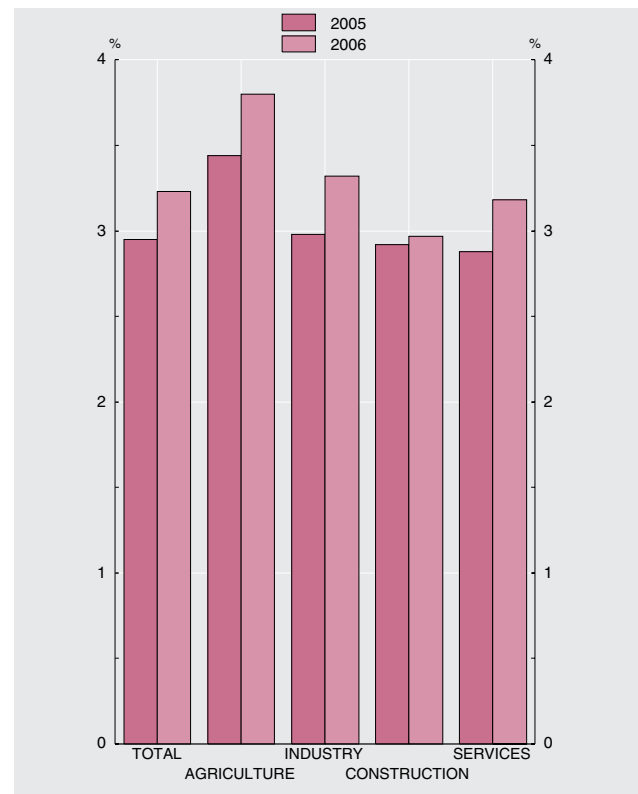
Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em- ployees affected	Average wage settle- ment	Auto- matic adjust- ment	Newly- signed agree- ments	Total	Annual change	Agricul- ture	Indus- try	Construc- tion	Services	Auto- matic adjust- ment	Newly signed agree- ments	Total	Agricul- ture	Indus- try	Construc- tion	Services
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
03	9 995	3.68	5 482	2 665	8 147	339	711	2 421	848	4 166	3.49	3.53	3.50	3.59	3.21	4.75	3.41
04	10 194	3.60	5 207	2 594	7 801	-347	629	2 351	1 046	3 774	2.93	3.04	2.96	3.53	2.96	3.43	2.75
05	10 416	4.03	5 581	2 800	8 381	580	568	2 418	1 095	4 300	2.87	3.20	2.98	3.38	3.00	2.93	2.93
05 Jun	10 176	4.02	4 989	650	5 639	580	454	1 729	523	2 932	2.86	3.36	2.92	3.46	3.01	2.95	2.77
Jul	10 185	4.02	5 178	740	5 918	325	456	1 773	532	3 157	2.85	3.32	2.90	3.46	3.02	2.95	2.75
Aug	10 185	4.02	5 324	1 010	6 334	361	456	1 817	562	3 499	2.87	3.27	2.93	3.46	3.02	3.00	2.80
Sep	10 302	4.02	5 324	1 382	6 706	-42	456	2 104	562	3 584	2.87	3.09	2.91	3.46	2.96	3.00	2.80
Oct	10 415	4.03	5 457	1 862	7 319	303	491	2 207	742	3 879	2.86	3.08	2.92	3.44	2.97	2.92	2.82
Nov	10 416	4.03	5 539	2 384	7 923	457	491	2 345	969	4 117	2.86	3.14	2.95	3.44	2.98	2.92	2.88
Dec	10 416	4.03	5 581	2 800	8 381	580	568	2 418	1 095	4 300	2.87	3.20	2.98	3.38	3.00	2.93	2.93
06 Jan	7 934	3.20	3 708	1	3 709	440	336	1 057	483	1 833	2.79	2.62	2.79	3.55	2.65	2.85	2.71
Feb	7 965	3.20	4 774	57	4 832	840	361	1 593	495	2 383	3.04	3.16	3.04	3.59	3.21	2.91	2.88
Mar	8 018	3.20	5 158	69	5 227	465	402	1 653	501	2 672	3.07	3.22	3.07	3.68	3.21	2.92	2.93
Apr	8 310	3.22	5 792	580	6 372	1 378	405	1 753	921	3 293	3.11	3.00	3.10	3.68	3.22	2.90	3.02
May	8 426	3.23	5 792	626	6 418	865	406	1 759	930	3 323	3.11	2.98	3.10	3.68	3.23	2.89	3.02
Jun	8 440	3.23	6 296	751	7 047	1 407	406	1 853	948	3 840	3.16	3.01	3.15	3.68	3.21	2.93	3.11
Jul	8 444	3.23	6 305	1 019	7 325	1 406	408	1 942	969	4 006	3.16	3.24	3.18	3.68	3.23	2.98	3.14
Aug	8 444	3.23	6 309	1 058	7 367	1 033	411	1 952	969	4 035	3.16	3.27	3.18	3.69	3.24	2.98	3.15
Sep	8 447	3.23	6 424	1 342	7 766	1 060	432	2 113	1 011	4 210	3.16	3.38	3.19	3.66	3.31	2.97	3.14
Oct	8 448	3.23	6 594	1 477	8 071	752	469	2 150	1 072	4 380	3.16	3.42	3.21	3.73	3.31	2.97	3.16
Nov	8 448	3.23	6 651	1 797	8 448	525	579	2 187	1 072	4 611	3.18	3.43	3.23	3.80	3.32	2.97	3.18

**EMPLOYEES AFFECTED**  
January-November



**AVERAGE WAGE SETTLEMENT**  
January-November



Source: Ministerio de Trabajo y Asuntos Sociales (MTAS), Estadística de Convenios Colectivos de Trabajo. Avance mensual.  
a. Cumulative data.

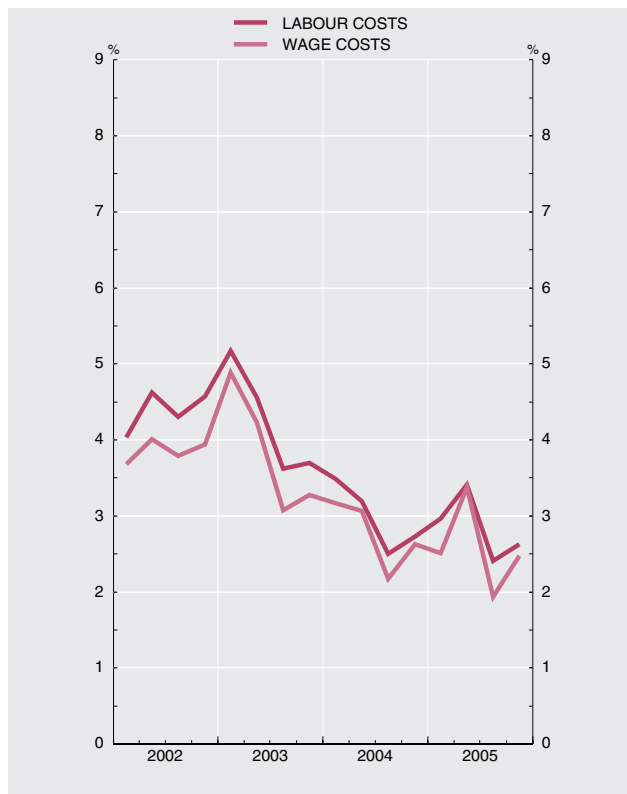
#### 4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

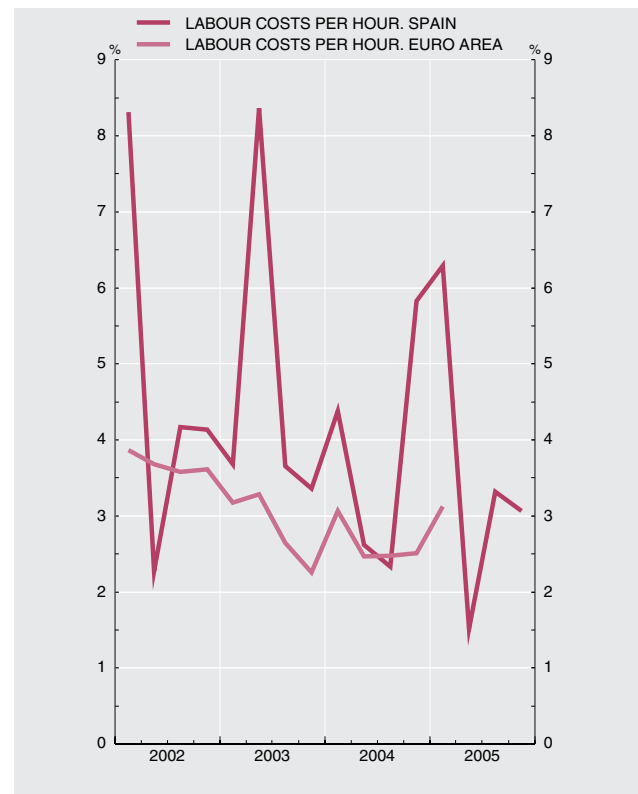
Annual percentage change

		Labour costs					Wage costs					Other costs per worker and month	memorandum item: euro area total hourly labour costs (a)
		Monthly earnings				Per hour worked	Monthly earnings				Per hour worked		
		Total	Industry	Construction	Services		Total	Industry	Construction	Services			
		1	2	3	4	5	6	7	8	9	10	11	12
03	M	4.2	4.7	6.3	3.8	4.7	3.8	4.4	5.0	3.5	4.3	5.4	2.8
04	M	3.0	3.4	5.2	2.6	3.8	2.8	3.3	4.2	2.5	3.6	3.6	2.6
05	M	2.9	3.1	2.8	3.1	3.5	2.6	2.7	2.3	2.9	3.2	3.6	...
05	Q1-Q3M	2.9	3.1	2.9	3.2	3.7	2.6	2.6	2.3	3.0	3.3	3.8	...
06	Q1-Q3M	3.5	3.9	4.1	3.6	4.0	3.3	3.6	3.7	3.5	3.9	4.0	...
04	Q1	3.5	4.3	6.0	2.9	4.4	3.2	4.0	5.2	2.7	4.1	4.4	3.1
	Q2	3.2	2.7	5.5	3.2	2.6	3.1	2.9	4.1	3.2	2.5	3.5	2.5
	Q3	2.5	3.2	5.5	1.9	2.3	2.2	3.3	4.6	1.6	2.0	3.4	2.5
	Q4	2.7	3.4	4.0	2.4	5.8	2.6	3.3	3.1	2.5	5.7	3.0	2.5
05	Q1	3.0	3.6	3.2	2.9	6.3	2.5	3.2	2.4	2.5	5.8	4.2	3.1
	Q2	3.4	3.7	3.3	3.6	1.5	3.4	3.1	3.3	3.8	1.5	3.5	...
	Q3	2.4	2.1	2.2	2.9	3.3	1.9	1.5	1.3	2.6	2.8	3.7	...
	Q4	2.6	3.2	2.6	2.8	3.1	2.5	3.0	2.0	2.8	2.9	3.1	...
06	Q1	3.4	4.5	4.3	3.2	0.3	3.0	3.8	3.8	3.0	-	4.4	...
	Q2	3.5	3.5	3.9	3.8	7.6	3.1	3.1	3.1	3.4	7.1	4.9	...
	Q3	3.6	3.6	4.1	3.8	4.0	4.0	4.1	4.2	4.3	4.4	2.6	...

PER WORKER AND MONTH  
Annual percentage change



PER HOUR WORKED  
Annual percentage change



Sources: INE (Quarterly labour costs survey) and Eurostat.

Note: The underlying series for this indicator are in Tables 24.25, 24.26 and 24.27 of de BE Boletín estadístico.

a. Whole economy, excluding the agriculture, public administration, education and health sectors



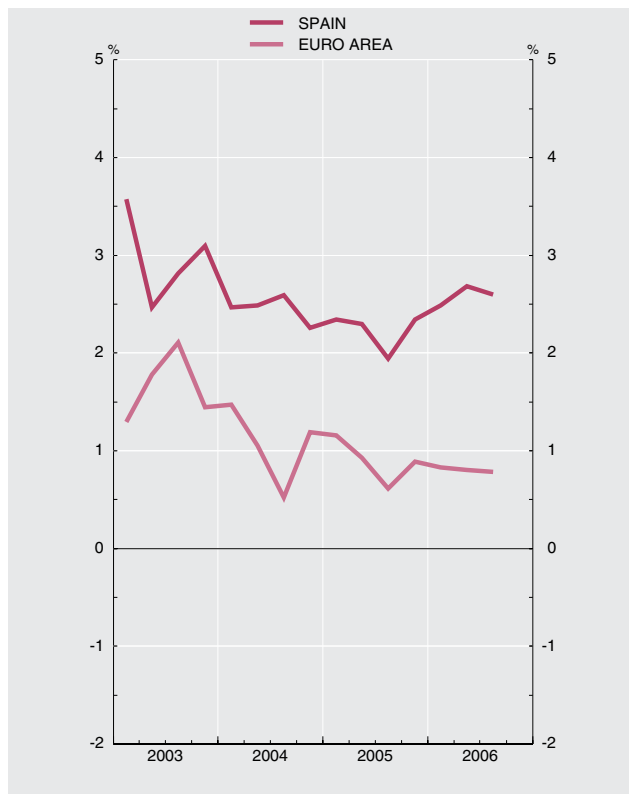
#### 4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

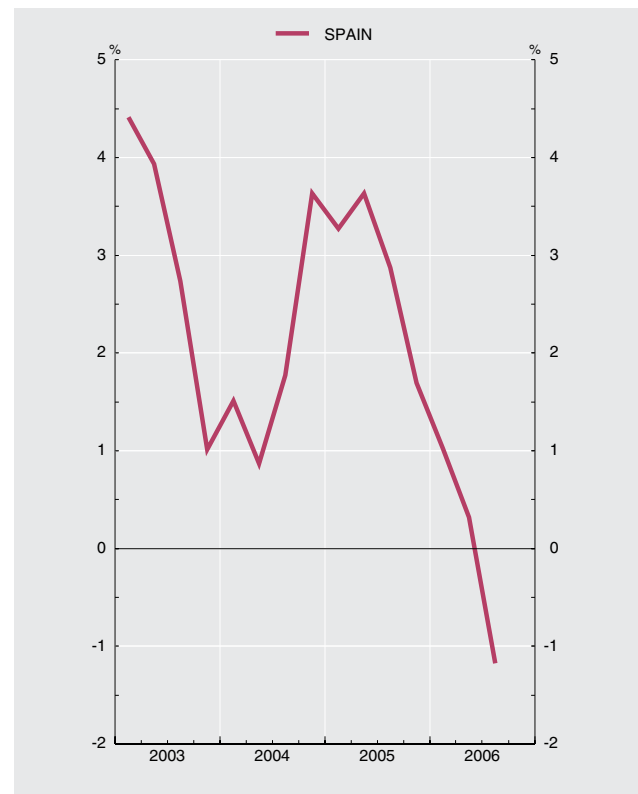
Annual percentage changes

		Whole-economy unit labour costs		Compensation per employee		Productivity						Memorandum item: unit labour costs in manufacturing	
		Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Output		Employment		Spain (c)	Euro area
								Spain	Euro area	Spain (b)	Euro area		
1	2	3	4	5	6	7	8	9	10	11	12		
03	P	3.0	1.7	3.6	2.0	0.6	0.3	3.0	0.8	2.4	0.4	3.0	...
04	P	2.5	1.1	3.1	2.1	0.6	1.0	3.2	1.7	2.6	0.7	1.9	...
05	P	2.2	0.9	2.6	1.6	0.4	0.7	3.5	1.5	3.1	0.8	2.9	...
03 Q4	P	3.1	1.4	3.3	1.7	0.2	0.3	3.0	1.0	2.8	0.8	1.0	...
04 Q1	P	2.5	1.5	2.8	2.4	0.3	0.9	3.2	1.6	2.8	0.7	1.5	...
Q2	P	2.5	1.1	3.3	2.4	0.8	1.4	3.2	2.1	2.4	0.7	0.9	...
Q3	P	2.6	0.5	3.3	1.6	0.7	1.1	3.3	1.8	2.5	0.7	1.8	...
Q4	P	2.3	1.2	2.8	2.0	0.5	0.8	3.4	1.5	2.8	0.7	3.6	...
05 Q1	P	2.3	1.2	2.8	1.5	0.5	0.3	3.4	1.2	2.9	0.8	3.3	...
Q2	P	2.3	0.9	2.7	1.4	0.4	0.5	3.5	1.2	3.1	0.7	3.6	...
Q3	P	1.9	0.6	2.2	1.5	0.3	0.9	3.6	1.6	3.3	0.7	2.9	...
Q4	P	2.3	0.9	2.7	1.9	0.4	1.0	3.6	1.8	3.2	0.8	1.7	...
06 Q1	P	2.5	0.8	2.9	2.1	0.4	1.2	3.6	2.2	3.2	1.0	1.0	...
Q2	P	2.7	0.8	3.3	2.3	0.6	1.5	3.7	2.9	3.1	1.4	0.3	...
Q3	P	2.6	0.8	3.4	2.0	0.8	1.2	3.8	2.7	3.0	1.5	-1.2	...

UNIT LABOUR COSTS: TOTAL  
Annual percentage changes



UNIT LABOUR COSTS: MANUFACTURING  
Annual percentage changes



Sources: INE (Quarterly National Accounts of Spain. Base year 2000) and ECB.

a. Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).

b. Full-time equivalent employment.

c. Industry.

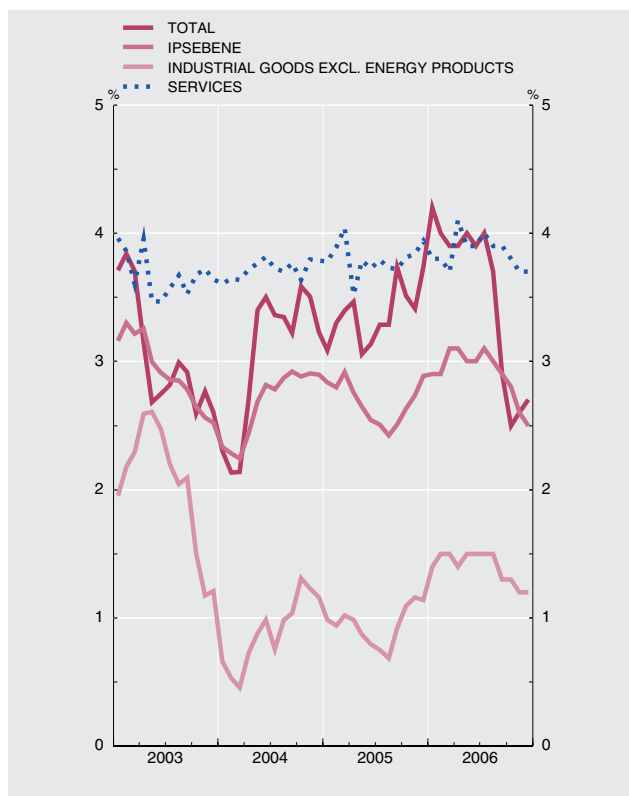
## 5.1. CONSUMER PRICE INDEX. SPAIN (2001=100) (a)

■ Series depicted in chart.

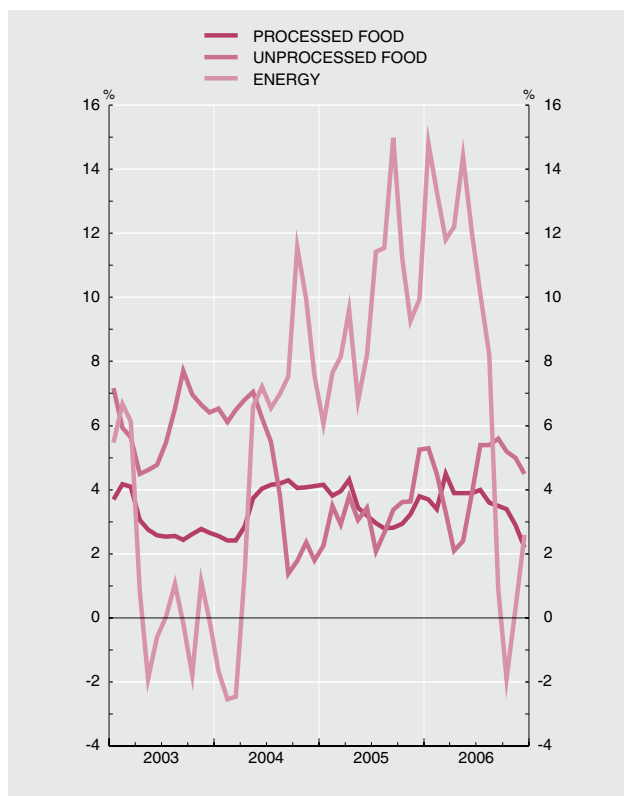
Indices and annual percentage changes

		Total (100%)				Annual percentage change (12-month % change)						Memorandum item: prices for agricultural products (2000=100)	
		Original series	Month-on-month % change	12-month % change (b)	Cumulative % change during year (c)	Unprocessed food	Processed food	Industrial goods excl. energy products (e)	Energy	Services	IPSEBENE (d)	Original series	12-month % change
		1	2	3	4	5	6	7	8	9	10	11	12
03	M	106.7	—	3.0	2.6	6.0	3.0	2.0	1.4	3.7	2.9	105.8	5.5
04	M	109.9	—	3.0	3.2	4.6	3.6	0.9	4.9	3.7	2.7	106.8	0.9
05	M	113.6	—	3.4	3.7	3.3	3.4	0.9	9.6	3.8	2.7	109.9	2.9
05 J-D	M	113.6	0.3	3.4	1.7	3.3	3.4	0.9	9.6	3.8	2.7	111.3	3.4
06 J-D	M	117.6	0.2	3.5	1.5	4.4	3.6	1.4	8.2	3.8	2.9	...	...
05 Sep		114.5	0.6	3.7	2.5	3.4	2.8	0.9	15.0	3.7	2.5	99.5	6.7
Oct		115.4	0.8	3.5	3.4	3.6	2.9	1.1	11.2	3.8	2.6	99.6	-0.8
Nov		115.6	0.2	3.4	3.5	3.6	3.2	1.2	9.3	3.8	2.7	106.9	2.0
Dec		115.9	0.2	3.7	3.7	5.2	3.8	1.1	9.9	3.9	2.9	113.6	2.1
06 Jan		115.4	-0.4	4.2	-0.4	5.3	3.7	1.4	14.8	3.8	2.9	119.9	4.0
Feb		115.5	-	4.0	-0.4	4.5	3.4	1.5	13.3	3.8	2.9	121.4	0.8
Mar		116.3	0.7	3.9	0.3	3.3	4.5	1.5	11.8	3.7	3.1	113.6	-10.2
Apr		117.9	1.4	3.9	1.8	2.1	3.9	1.4	12.2	4.1	3.1	112.8	-8.1
May		118.3	0.4	4.0	2.1	2.4	3.9	1.5	14.4	3.9	3.0	115.8	-3.6
Jun		118.5	0.2	3.9	2.3	3.9	3.9	1.5	12.0	3.9	3.0	113.3	6.0
Jul		117.8	-0.6	4.0	1.7	5.4	4.0	1.5	10.1	4.0	3.1	103.6	0.7
Aug		118.0	0.2	3.7	1.9	5.4	3.6	1.5	8.2	3.9	3.0	102.8	0.4
Sep		117.9	-0.2	2.9	1.7	5.6	3.5	1.3	0.9	3.9	2.9	100.6	1.1
Oct		118.3	0.4	2.5	2.1	5.2	3.4	1.3	-1.9	3.8	2.8	102.3	2.7
Nov		118.6	0.2	2.6	2.4	5.0	2.9	1.2	0.3	3.7	2.6	...	...
Dec		119.0	0.3	2.7	2.7	4.5	2.2	1.2	2.6	3.7	2.5	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS  
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS  
Annual percentage changes



Sources: INE, Ministerio de Agricultura, Pesca y Alimentación and BE.

Note: The underlying series for this indicator are in Tables 25.2 and 25.8 of the BE Boletín estadístico.

a. There is a break in January 2002 owing to the 2001 re-basing. There is no solution to this via the habitual legal links. Consequently, for the year 2002, the official rates of change cannot be obtained from the indices. The detailed methodological notes can be consulted on the INE Internet site ([www.ine.es](http://www.ine.es)).

b. For annual periods: average growth for each year on the previous year. c. For annual periods: December-on-December growth rate.

d. Index of non-energy processed goods and service prices. e. Official INE series from January 2002.

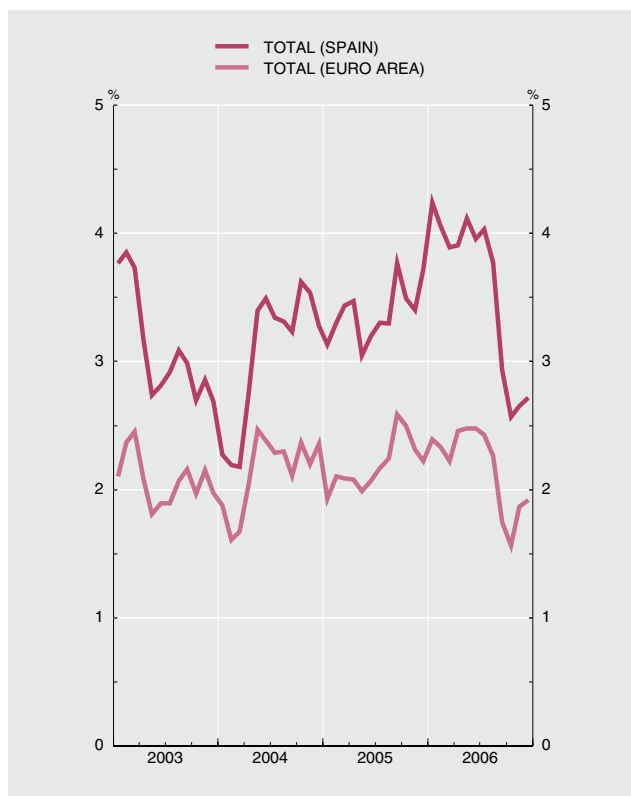
## 5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

■ Series depicted in chart.

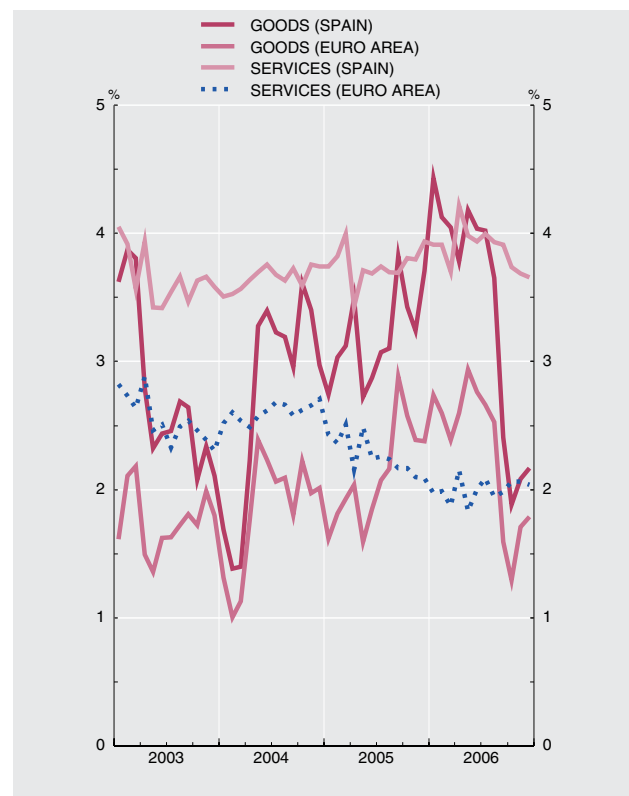
Annual percentage changes

		Total		Goods														Services			
		Spain	Euro area	Spain	Euro area	Food						Industrial								Spain	Euro area
						Total		Processed		Unprocessed		Spain	Euro area	Non-energy		Energy					
						Spain	Euro area	Spain	Euro area	Spain	Euro area			Spain	Euro area						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18				
03	M	3.1	2.1	2.8	1.8	4.0	2.8	3.5	3.3	4.6	2.1	2.0	1.2	2.2	0.8	1.3	3.0	3.7	2.5		
04	M	3.1	2.1	2.7	1.8	3.9	2.3	4.2	3.4	3.7	0.6	2.0	1.6	1.0	0.8	4.8	4.5	3.7	2.6		
05	M	3.4	2.2	3.2	2.1	3.4	1.6	3.5	2.0	3.3	0.8	3.1	2.4	1.0	0.3	9.7	10.1	3.8	2.3		
05	J-D	M	3.4	2.2	3.2	2.1	3.4	1.6	3.5	2.0	3.3	0.8	3.1	2.4	1.0	0.3	9.7	10.1	3.8	2.3	
06	J-D	MP	3.6	2.2	3.4	2.3	3.9	2.4	3.9	2.1	3.9	2.8	3.1	2.3	1.5	0.6	8.0	7.7	3.9	2.0	
05	Sep		3.8	2.6	3.8	2.9	3.0	1.8	2.9	2.3	3.1	1.0	4.4	3.4	1.0	0.2	15.1	15.0	3.7	2.2	
	Oct		3.5	2.5	3.4	2.6	3.2	1.9	3.0	2.4	3.3	1.1	3.6	2.9	1.2	0.3	11.3	12.1	3.8	2.2	
	Nov		3.4	2.3	3.2	2.4	3.4	2.2	3.5	2.6	3.2	1.5	3.1	2.5	1.2	0.4	9.3	10.0	3.8	2.1	
	Dec		3.7	2.2	3.7	2.4	4.3	1.7	4.2	1.8	4.4	1.5	3.3	2.7	1.2	0.4	10.0	11.2	3.9	2.1	
06	Jan		4.2	2.4	4.4	2.7	4.3	1.9	4.1	1.9	4.4	2.0	4.6	3.1	1.4	0.2	14.8	13.6	3.9	2.0	
	Feb		4.1	2.3	4.1	2.6	3.8	1.8	3.7	1.9	3.9	1.7	4.4	3.0	1.5	0.3	13.4	12.5	3.9	2.0	
	Mar		3.9	2.2	4.0	2.4	4.1	1.6	5.1	2.3	3.1	0.6	4.0	2.8	1.6	0.6	11.8	10.5	3.7	1.9	
	Apr		3.9	2.5	3.8	2.6	3.4	1.8	4.4	2.2	2.3	1.2	4.1	3.0	1.5	0.7	12.2	11.0	4.2	2.2	
	May		4.1	2.5	4.2	2.9	3.5	2.0	4.3	2.2	2.6	1.5	4.6	3.4	1.6	0.7	14.3	12.9	4.0	1.8	
	Jun		4.0	2.5	4.0	2.8	3.9	2.2	4.3	2.2	3.6	2.1	4.1	3.1	1.6	0.7	12.0	11.0	3.9	2.0	
	Jul		4.0	2.4	4.0	2.7	4.5	2.7	4.5	2.3	4.5	3.2	3.7	2.7	1.6	0.6	10.0	9.5	4.0	2.1	
	Aug		3.8	2.3	3.7	2.5	4.2	2.9	4.0	2.2	4.5	3.9	3.3	2.4	1.7	0.6	8.2	8.1	3.9	1.9	
	Sep		2.9	1.7	2.4	1.6	4.2	2.9	3.8	1.8	4.7	4.6	1.2	1.0	1.5	0.8	0.9	1.5	3.9	2.0	
	Oct		2.6	1.6	1.9	1.3	4.0	3.0	3.6	2.3	4.4	4.2	0.5	0.5	1.4	0.8	-1.9	-0.5	3.7	2.1	
	Nov		2.7	1.9	2.1	1.7	3.6	3.0	2.9	2.2	4.4	4.4	1.1	1.1	1.4	0.8	0.3	2.1	3.7	2.1	
	Dec	P	2.7	1.9	2.2	1.8	3.0	2.7	2.1	2.1	3.9	3.7	1.7	1.4	1.4	0.9	2.6	2.9	3.7	2.0	

HARMONISED INDEX OF CONSUMER PRICES. TOTAL  
Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS  
Annual percentage changes



Source: Eurostat.

a. Compliance with the Regulation on the treatment of price reductions is now complete with the inclusion of sales prices in the Italian and Spanish HICP. The Spanish HICP has included a new basket of goods and services since January 2001. In accordance with the related regulations, the series for the year 2001 have been revised. More detailed methodological notes can be consulted on the Eurostat Internet site ([www.europa.eu.int](http://www.europa.eu.int)).

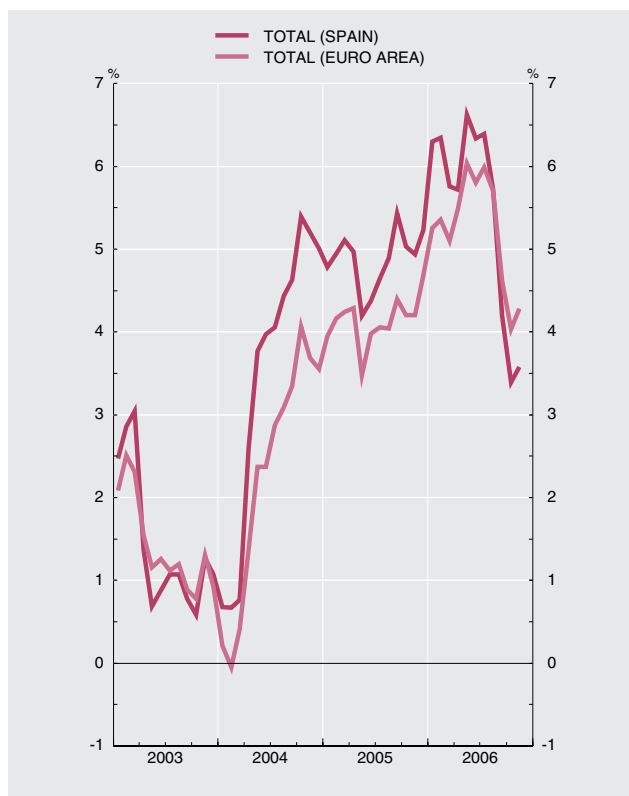
### 5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

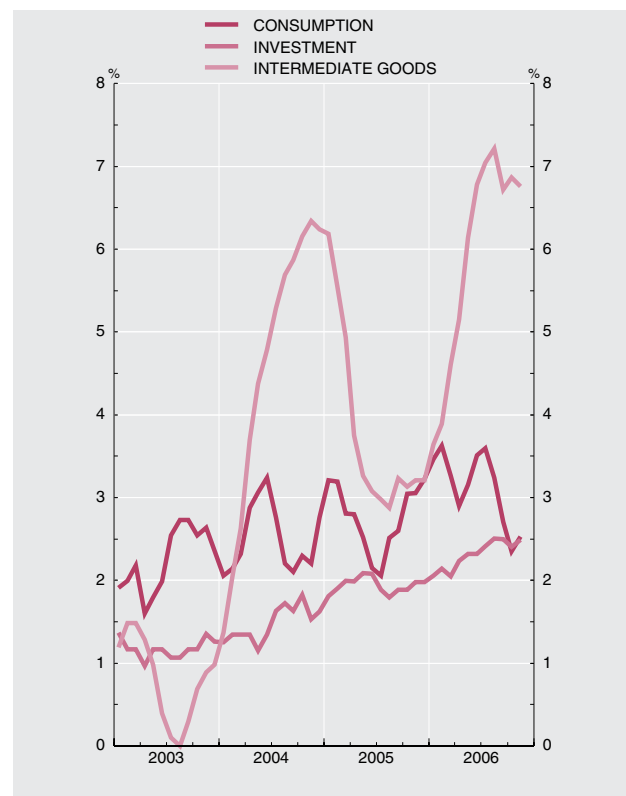
Annual percentage changes

		Total (100%)			Consumption (32.1 %)		Investment (18.3 %)		Intermediate (31.6 %)		Energy (18.0%)		Memorandum item: euro area				
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total	Consumption	Investment	Intermediate	Energy
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
03	MP	103.9	—	1.4	—	2.3	—	1.2	—	0.8	—	1.3	1.4	1.1	0.3	0.8	3.8
04	MP	107.4	—	3.4	—	2.5	—	1.5	—	4.5	—	5.3	2.3	1.3	0.7	3.5	3.9
05	MP	112.7	—	4.9	—	2.8	—	1.9	—	3.8	—	14.0	4.1	1.1	1.3	2.9	13.4
05 J-N	MP	112.5	—	4.8	—	2.7	—	1.9	—	3.8	—	13.9	4.1	1.1	1.4	3.0	13.0
06 J-N	MP	118.6	—	5.5	—	3.1	—	2.3	—	5.9	—	11.8	5.2	1.7	1.4	4.7	14.2
05 Aug	P	113.6	0.8	4.9	0.3	2.5	-	1.8	0.2	2.9	3.3	16.4	4.0	0.9	1.1	1.7	15.2
Sep	P	114.5	0.8	5.4	0.2	2.6	0.1	1.9	0.7	3.2	2.5	17.9	4.4	1.1	1.2	1.6	16.6
Oct	P	114.9	0.3	5.0	0.3	3.0	0.2	1.9	0.4	3.1	0.7	15.2	4.2	1.3	1.2	1.6	15.3
Nov	P	114.7	-0.2	4.9	-0.1	3.1	0.1	2.0	0.4	3.2	-1.3	14.7	4.2	1.4	1.0	1.8	14.7
Dec	P	114.7	-	5.2	0.4	3.2	0.1	2.0	-	3.2	-1.3	15.6	4.7	1.3	1.0	1.9	17.0
06 Jan	P	116.4	1.5	6.3	1.0	3.5	0.6	2.1	1.2	3.6	3.8	20.6	5.3	1.5	1.0	2.0	19.7
Feb	P	117.3	0.8	6.3	0.6	3.6	0.5	2.1	0.8	3.9	1.1	20.1	5.4	1.4	1.0	2.3	19.6
Mar	P	117.6	0.3	5.8	-	3.3	0.1	2.0	0.9	4.6	0.2	16.4	5.1	1.5	1.1	2.6	17.4
Apr	P	118.3	0.6	5.7	-	2.9	0.3	2.2	0.5	5.1	1.7	15.4	5.5	1.6	1.2	3.5	17.5
May	P	119.2	0.8	6.6	0.3	3.2	0.2	2.3	1.0	6.1	1.3	17.8	6.0	1.7	1.2	4.6	18.6
Jun	P	119.2	-	6.3	0.3	3.5	0.2	2.3	0.4	6.8	-0.8	14.6	5.8	1.8	1.3	5.3	15.8
Jul	P	119.9	0.6	6.4	0.2	3.6	0.1	2.4	0.3	7.0	2.0	13.9	6.0	2.0	1.6	6.2	14.8
Aug	P	120.1	0.2	5.7	-0.1	3.2	0.1	2.5	0.3	7.2	-0.1	10.2	5.7	1.9	1.6	6.5	12.5
Sep	P	119.3	-0.7	4.2	-0.3	2.7	0.1	2.5	0.3	6.7	-3.2	4.1	4.6	1.7	1.7	6.5	7.8
Oct	P	118.8	-0.4	3.4	-	2.3	0.1	2.4	0.5	6.9	-2.7	0.5	4.0	1.7	1.8	6.4	5.3
Nov	P	118.8	-	3.6	0.1	2.5	0.2	2.5	0.3	6.8	-0.8	1.0	4.3	1.6	1.9	6.2	7.0

PRODUCER PRICE INDEX. TOTAL  
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS  
Annual percentage changes



Sources: INE and ECB.

Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.

a. Spain: 2000=100; euro area: 2000=100.

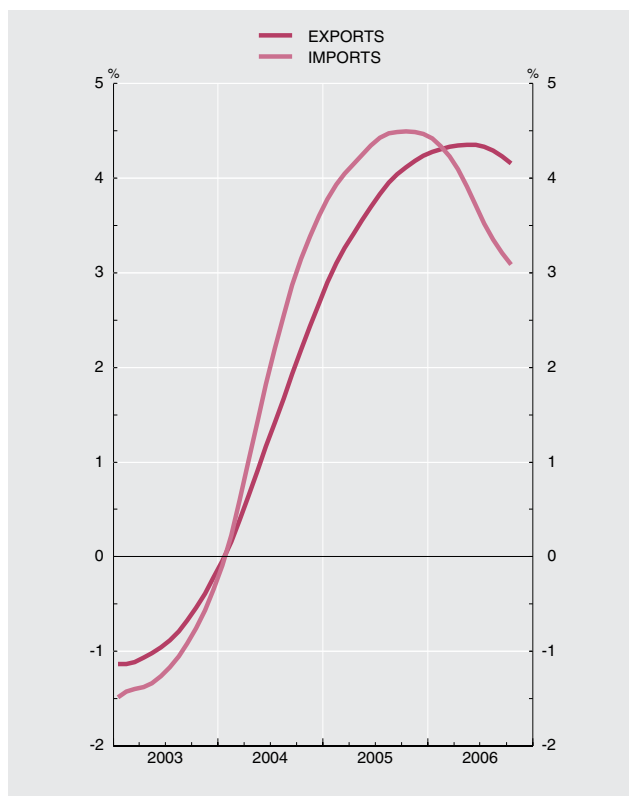
#### 5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

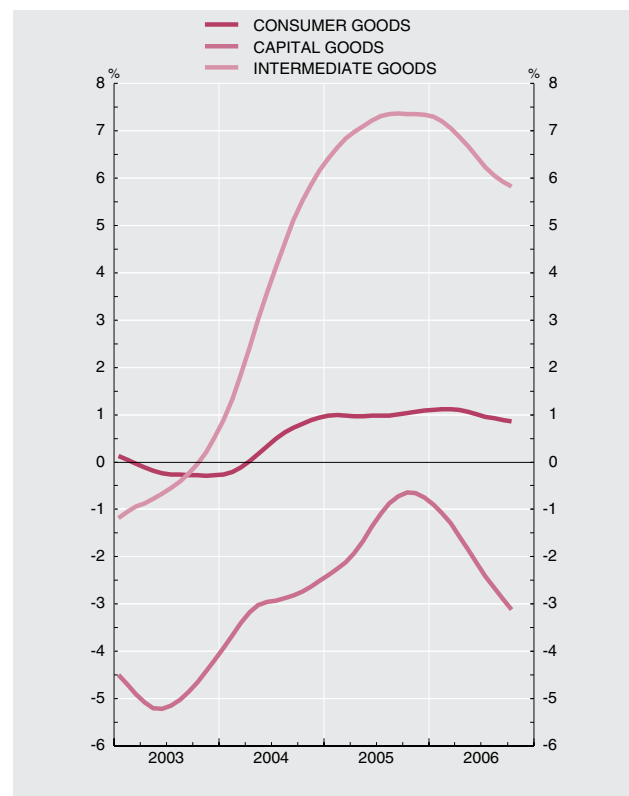
Annual percentage changes

	Exports/dispatches						Imports/arrivals					
	Total	Consumer goods	Capital goods	Intermediate goods			Total	Consumer goods	Capital goods	Intermediate goods		
				Total	Energy	Non-energy				Total	Energy	Non-energy
	1	2	3	4	5	6	7	8	9	10	11	12
03	-1,5	0,0	-9,6	-1,2	-1,7	-1,1	-1,3	-0,1	-7,3	-0,7	0,7	-1,1
04	1,0	-0,0	-0,6	2,1	12,3	1,6	2,4	0,5	-2,0	4,5	11,2	3,3
05	4,7	1,9	6,3	6,6	34,1	5,0	5,1	1,1	1,0	8,1	26,2	3,5
05 J-O	4,6	1,7	5,6	6,8	35,6	5,2	5,0	0,9	0,2	8,3	25,8	3,8
06 J-O	5,0	3,9	3,2	6,3	21,3	5,6	3,9	0,7	-2,4	6,8	24,9	2,0
05 May	3,3	-1,1	7,5	6,2	38,5	4,6	0,9	-3,2	-6,5	4,7	20,0	1,6
Jun	3,2	-0,3	-0,9	7,0	41,0	5,2	5,3	3,6	-1,3	7,7	26,3	3,5
Jul	5,7	2,2	15,6	6,3	32,7	4,9	8,2	0,6	10,4	11,7	38,6	5,1
Aug	6,1	3,9	3,8	8,2	48,4	5,1	6,1	-0,2	-0,4	11,0	26,8	4,5
Sep	5,4	0,6	11,5	8,4	33,8	6,9	4,3	-0,6	4,2	7,0	29,5	0,7
Oct	4,2	1,2	8,2	6,0	24,0	4,8	4,8	0,8	14,0	5,3	16,2	1,8
Nov	4,3	2,7	8,3	4,6	26,1	3,2	3,8	3,3	-0,8	5,6	22,5	0,8
Dec	6,2	3,6	11,8	6,5	27,2	5,3	7,1	0,9	10,2	8,9	33,5	3,2
06 Jan	4,2	1,6	9,4	5,8	24,8	4,7	5,6	-6,5	-5,1	15,2	44,0	7,3
Feb	3,3	0,7	4,7	5,1	29,3	3,5	6,6	2,5	3,2	9,2	36,9	1,9
Mar	5,0	2,1	0,6	8,1	33,2	6,7	6,0	2,7	7,5	7,2	27,2	1,9
Apr	4,8	1,9	6,8	6,6	25,0	5,4	7,4	3,2	-4,2	11,7	30,5	5,8
May	4,5	5,0	1,0	4,9	16,0	4,3	6,1	4,2	-0,6	8,2	35,1	1,0
Jun	5,3	3,3	10,3	5,6	15,3	5,5	1,7	-1,5	-3,2	4,2	24,7	-0,3
Jul	6,1	8,2	-0,3	6,2	22,4	5,5	1,1	0,5	-7,3	3,1	16,3	-0,5
Aug	5,7	4,2	8,6	6,5	17,7	6,1	2,3	-0,6	-0,5	4,0	18,1	-0,3
Sep	5,4	5,6	-4,6	7,1	14,9	7,0	0,8	2,4	-5,0	1,0	8,0	0,4
Oct	5,7	5,9	-4,0	7,2	14,6	7,5	1,7	0,1	-8,2	4,5	8,9	3,2

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



Sources: ME and BE.

Note: The underlying series for this indicator are in the Tables 17.6 and 17.7 of the Boletín Estadístico.

a. Annual percentage changes (trend obtained with TRAMO-SEATS).

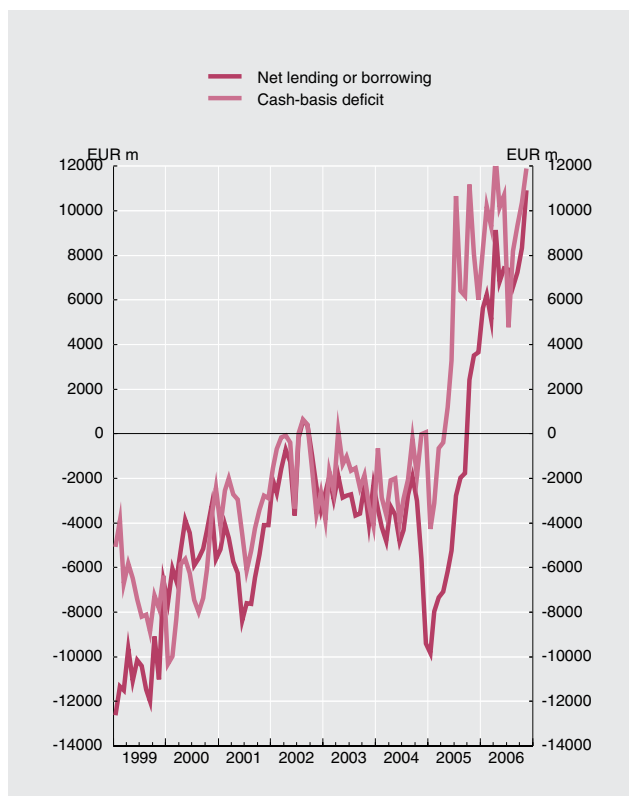
## 6.1. STATE RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS (A). SPAIN

■ Series depicted in chart.

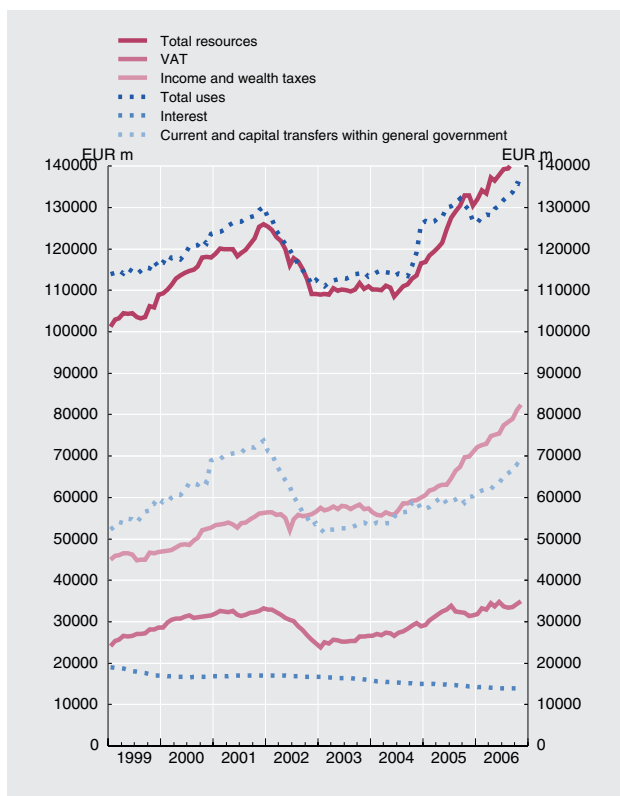
EUR millions

		Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit			
		Net lending (+) or borrowing (-)	Total	Value added tax (VAT)	Other taxes on products and imports	Inter- est and other income on pro- perty	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and ca- pital trans- fers within general government	Invest- ment grants and other capital trans- fers	Other	Cash- basis deficit	Revenue	Expendi- ture
		1=2-8	2=3+7	3	4	5	6	7	8=9+13	9	10	11	12	13	14=15-16	15	16
99		-6 585	109 009	28 574	16 408	5 877	46 886	11 264	115 594	17 363	16 959	57 721	3 034	20 517	-6 354	110 370	116 724
00		-5 627	118 005	31 566	17 171	5 419	52 671	11 178	123 632	12 881	16 817	68 917	3 633	21 384	-2 431	118 693	121 124
01		-4 104	126 032	33 160	17 838	7 335	56 312	11 387	130 136	12 890	17 031	73 716	3 297	23 202	-2 884	125 193	128 077
02		-3 428	109 142	24 701	11 431	5 614	56 616	10 780	112 570	13 526	16 652	53 800	3 244	25 348	-2 626	108 456	111 082
03	P	-2 274	111 008	26 542	10 918	5 089	57 398	11 061	113 282	13 966	15 890	53 259	2 591	27 576	-4 132	109 655	113 787
04	P	-9 410	116 577	28 950	10 989	4 714	60 054	11 870	125 987	14 831	15 053	57 177	7 415	31 511	59	114 793	114 734
05	P	3 670	130 419	31 542	11 069	4 661	70 985	12 162	126 749	15 679	14 344	60 291	3 272	33 163	6 022	128 777	122 755
05 J-N	P	14 709	120 619	31 229	10 116	3 856	65 204	10 214	105 910	13 646	13 118	53 319	1 870	23 957	11 209	119 770	108 561
06 J-N	A	21 951	136 734	34 659	10 351	4 660	76 672	10 392	114 783	14 602	12 676	60 337	1 566	25 602	17 070	132 362	115 292
06 Jan	A	2 024	9 612	-349	821	246	8 392	502	7 588	1 143	1 215	4 345	10	875	-4 557	10 255	14 812
Feb	A	8 833	18 865	13 536	922	214	3 456	737	10 032	1 232	1 053	5 059	83	2 605	8 720	18 115	9 395
Mar	A	-6 273	3 993	892	928	681	2 139	-647	10 266	1 510	1 174	5 324	367	1 891	-3 920	4 889	8 809
Apr	A	13 312	22 248	7 796	836	756	12 426	434	8 936	1 185	1 149	4 723	112	1 767	13 248	22 204	8 956
May	A	-7 527	2 705	14	797	184	687	1 023	10 232	1 427	1 162	5 461	196	1 986	-5 890	2 643	8 532
Jun	A	-7 811	5 077	476	1 097	247	510	2 747	12 888	2 195	1 132	5 327	235	3 999	-6 449	3 209	9 657
Jul	A	8 115	19 046	4 628	948	239	12 537	694	10 931	906	1 162	6 723	144	1 996	4 171	19 184	15 013
Aug	A	-95	9 413	-3 204	877	280	10 575	885	9 508	1 148	1 179	5 134	87	1 960	-746	8 380	9 127
Sep	A	1 230	11 584	3 075	1 091	258	5 316	1 844	10 354	1 262	1 134	5 496	95	2 367	2 335	10 804	8 469
Oct	A	12 516	24 818	6 504	974	223	15 928	1 189	12 302	1 276	1 191	7 145	105	2 585	11 674	24 166	12 492
Nov	A	-2 373	9 373	1 291	1 060	1 332	4 706	984	11 746	1 318	1 125	5 600	132	3 571	-1 517	8 512	10 030

STATE. NET LENDING OR BORROWING AND CASH-BASIS DEFICIT  
(Latest 12 months)



STATE. RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS  
(Latest 12 months)



Source: Ministerio de Economía y Hacienda (IGAE).

a. Except in interest rate swaps, where the EDP criterion is followed. That is to say, the net outcome of these transactions is considered to be interest and not financial transactions (the ESA 95 criterion), whereby they influence the calculation of net lending or borrowing.

EUR millions

Legend:

- Net incurrence of liabilities
- Held by monetary financial institutions
- Held by other resident sectors
- Held by the rest of the world

Y-axis labels: EUR m (left), EUR m (right)

X-axis labels: 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006

b. Includes other loans, non-negotiable securities, coined money and Caja General de Depósitos (General Deposit Fund).

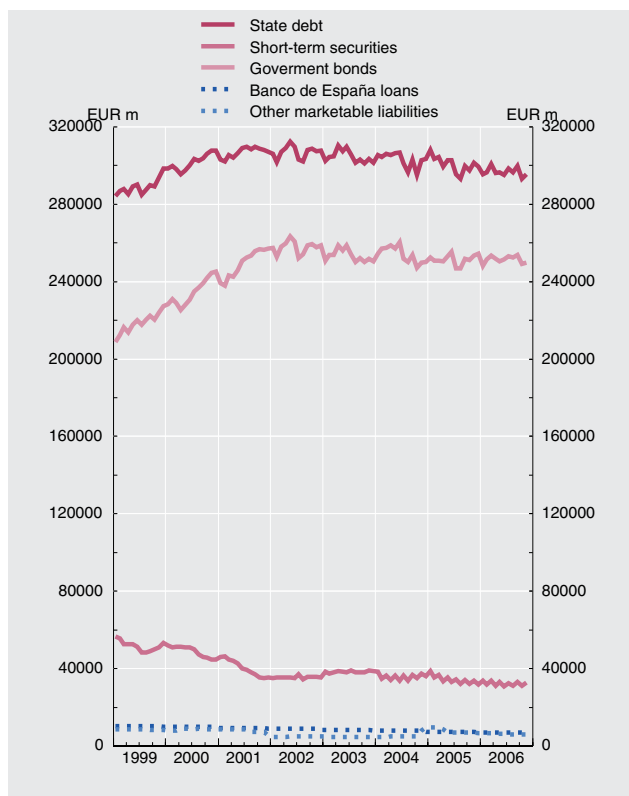
### 6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

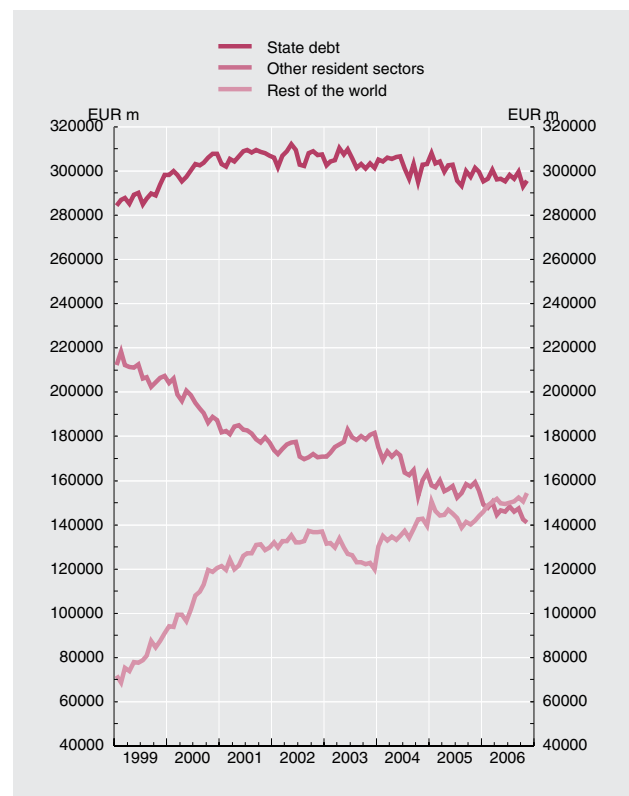
EUR millions

	Liabilities outstanding (excluding other accounts payable)										Memorandum item:		
	State debt according to the methodology of the excessive deficit procedure	of which	By instrument				By counterpart sector				Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level	
		In currencies other than the peseta/euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Held by resident sectors			Rest of the world			
							Total	General government	Other resident sectors				
1	2	3	4	5	6	7	8	9	10	11	12		
95		232 754	19 362	71 070	132 463	11 050	18 171	180 408	385	180 023	52 731	9 379	6 059
96		263 972	20 434	81 084	152 302	10 814	19 772	210 497	529	209 969	54 003	15 195	8 185
97		274 176	23 270	71 730	180 566	10 578	11 303	211 538	445	211 093	63 083	9 829	7 251
98		284 161	30 048	59 939	205 189	10 341	8 691	215 207	305	214 902	69 258	10 273	6 412
99		298 384	7 189	53 142	227 157	9 843	8 243	207 465	150	207 315	91 070	14 846	5 310
00		307 726	8 197	44 575	245 255	9 344	8 552	188 488	1 187	187 301	120 424	20 536	5 430
01		306 895	7 611	35 413	257 192	8 845	5 445	179 123	2 018	177 105	129 791	395	5 460
02		307 610	5 823	35 459	258 877	8 359	4 914	177 561	6 831	170 730	136 880	300	6 819
03		301 476	5 105	38 702	250 337	7 873	4 564	192 399	10 952	181 447	120 029	300	6 821
04	P	303 254	3 267	35 996	250 125	7 388	9 746	182 967	19 412	163 554	139 700	300	7 186
05 Dec	P	299 578	2 154	31 647	254 442	6 902	6 588	178 398	22 810	155 588	143 990	300	6 020
06 Jan	A	295 316	2 114	33 635	248 201	6 902	6 579	171 045	21 808	149 237	146 079	299	5 898
Feb	A	296 511	2 156	31 689	251 339	6 902	6 582	169 034	21 347	147 688	148 823	300	731
Mar	A	300 622	2 097	33 703	253 464	6 902	6 553	172 365	22 061	150 304	150 317	300	5 902
Apr	A	296 076	1 926	31 097	251 669	6 902	6 408	166 165	21 702	144 463	151 612	3 550	5 768
May	A	296 502	1 920	33 021	250 330	6 902	6 250	168 353	21 702	146 651	149 851	300	5 739
Jun	A	295 289	1 696	30 622	251 471	6 902	6 294	167 585	21 720	145 865	149 424	100	5 743
Jul	A	298 372	1 683	32 502	252 962	6 902	6 006	170 287	21 977	148 310	150 061	100	5 675
Aug	A	296 511	1 648	31 208	252 368	6 902	6 034	168 335	22 278	146 058	150 454	100	5 658
Sep	A	299 827	518	33 130	253 795	6 902	6 000	169 754	22 278	147 476	152 351	100	5 649
Oct	A	293 130	523	31 106	249 102	6 902	6 020	163 622	21 021	142 601	150 529	100	5 645
Nov	A	295 500	516	32 762	249 803	6 902	6 033	162 636	21 632	141 004	154 496	100	...

STATE. LIABILITIES OUTSTANDING  
By instrument



STATE. LIABILITIES OUTSTANDING  
By counterpart sector



Source: BE.

a. Includes other loans, non-negotiable securities, coined money and Caja General de Depósitos (General Deposit Fund).



# 7.1. THE SPANISH BALANCE OF PAYMENTS VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

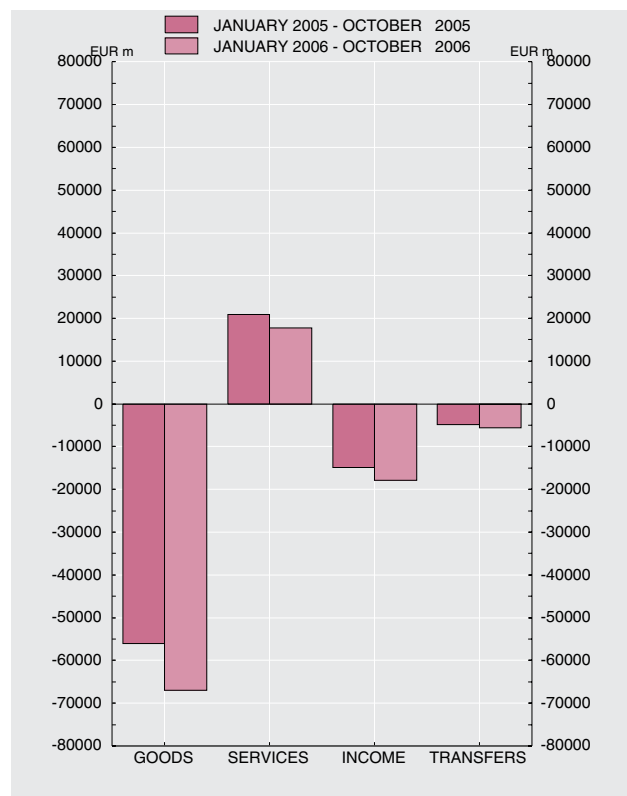
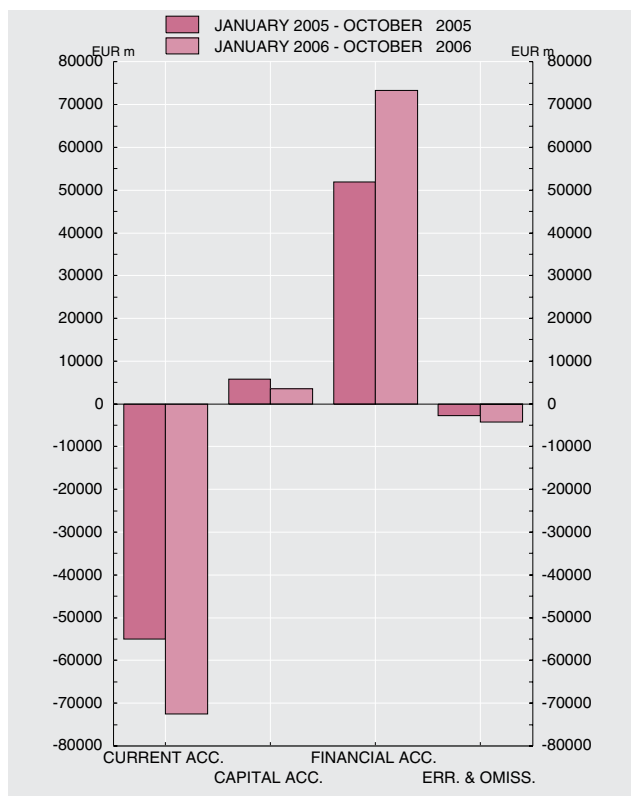
■ Series depicted in chart.

EUR millions

		Current account (a)													Capital account (balance)	Current account plus capital account	Financial account (balance) (b)	Errors and omission (17=- (15+16))
		Total (balance)	Goods			Services				Income			Current transfers (balance)					
			Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts		Payments				
							Of which		Of which									
							Total	Tourism and travel	Total	Tourism and travel								
1=2+5+10+13	2=3-4	3	4	5=6-8	6	7	8	9	10=11-12	11	12	13	14	15=1+14	16	17		
03		-27 476	-39 839	139 754	179 593	23 301	65 689	35 047	42 388	8 010	-10 396	24 061	34 456	-543	8 165	-19 311	17 826	1 486
04		-44 164	-53 660	148 967	202 627	21 753	69 355	36 376	47 602	9 772	-12 139	27 299	39 439	-117	8 428	-35 736	34 851	885
05	P	-66 627	-68 969	156 375	225 344	22 635	75 410	38 495	52 776	12 125	-17 208	31 312	48 520	-3 084	7 972	-58 655	59 551	-897
05 J-O	P	-54 928	-56 025	127 996	184 021	20 911	64 239	34 084	43 329	10 133	-14 932	24 973	39 905	-4 882	5 742	-49 187	51 870	-2 683
06 J-O	P	-72 524	-66 918	142 122	209 040	17 829	68 945	34 201	51 116	11 164	-17 844	27 861	45 705	-5 590	3 525	-68 999	73 304	-4 305
05 Jul	P	-4 602	-5 429	13 022	18 451	3 192	8 227	4 802	5 034	1 174	-2 015	2 418	4 433	-350	497	-4 106	3 737	369
Aug	P	-4 651	-6 522	10 090	16 612	3 614	8 174	5 096	4 560	1 302	-1 370	4 073	5 443	-372	726	-3 925	3 977	-52
Sep	P	-5 830	-6 222	13 772	19 995	2 981	7 769	4 767	4 787	1 172	-1 828	2 671	4 499	-761	460	-5 370	7 672	-2 301
Oct	P	-4 764	-5 931	13 448	19 379	2 563	7 120	4 017	4 557	1 163	-1 150	2 362	3 512	-246	279	-4 485	5 333	-848
Nov	P	-4 643	-6 491	14 860	21 350	1 364	5 984	2 709	4 620	1 050	-890	2 923	3 814	1 374	359	-4 283	3 735	549
Dec	P	-7 056	-6 454	13 519	19 973	360	5 187	1 701	4 827	942	-1 386	3 415	4 801	424	1 871	-5 185	3 947	1 238
06 Jan	P	-6 774	-5 916	12 923	18 839	123	5 147	2 111	5 023	1 109	-387	3 374	3 760	-595	330	-6 444	6 755	-311
Feb	P	-8 378	-5 759	14 202	19 961	193	5 087	2 003	4 894	939	-1 443	1 809	3 252	-1 369	320	-8 058	9 156	-1 098
Mar	P	-9 348	-7 107	15 658	22 765	773	6 180	2 418	5 407	1 087	-2 424	2 402	4 826	-590	121	-9 227	10 051	-824
Apr	P	-7 595	-6 207	13 335	19 542	961	5 380	2 258	4 419	759	-1 800	2 342	4 142	-549	208	-7 387	6 046	1 341
May	P	-5 707	-6 745	15 679	22 424	1 776	6 599	2 946	4 823	836	-404	4 398	4 802	-334	625	-5 082	5 838	-757
Jun	P	-6 797	-6 834	15 403	22 237	1 552	6 990	3 374	5 438	1 240	-1 849	3 122	4 970	334	220	-6 577	6 682	-105
Jul	P	-7 906	-6 475	13 773	20 248	3 036	8 562	4 850	5 526	1 301	-3 700	3 044	6 744	-767	548	-7 358	8 944	-1 586
Aug	P	-5 474	-7 450	11 395	18 845	3 805	8 772	5 371	4 967	1 370	-1 160	2 057	3 217	-669	797	-4 678	4 676	2
Sep	P	-6 772	-6 830	14 286	21 116	3 122	8 242	5 010	5 120	1 180	-2 257	2 498	4 756	-806	-5	-6 777	7 699	-922
Oct	P	-7 773	-7 596	15 468	23 064	2 488	7 986	3 860	5 498	1 344	-2 420	2 815	5 235	-246	362	-7 411	7 457	-45

## SUMMARY

## CURRENT ACCOUNT



Sources: BE. Data compiled in accordance with the IMF Balance of Payments Manual (5th edition).

a. A positive sign for the current and capital account balances indicates a surplus (receipts greater than payments) and, thus, a Spanish net loan abroad (increase in the creditor position or decrease in the debtor position).

b. A positive sign for the financial account balance (the net change in liabilities exceeds the net change in financial assets) means a net credit inflow, i.e. a net foreign loan to Spain (increase in the debtor position or decrease in the creditor position).

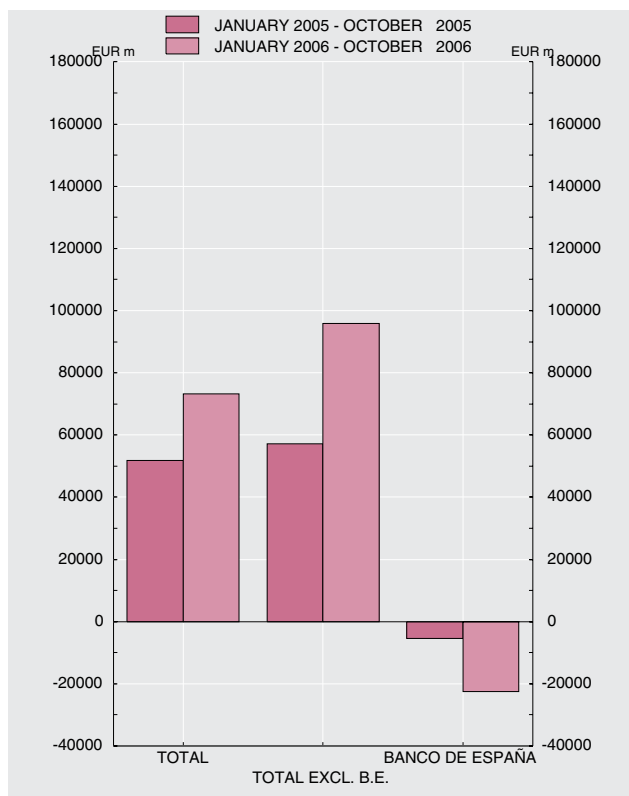
## 7.2. THE SPANISH BALANCE OF PAYMENTS VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

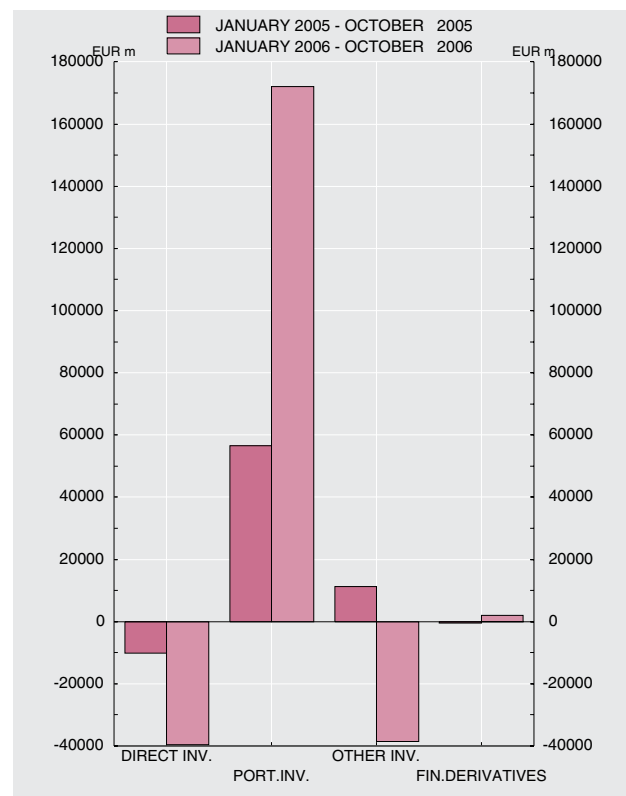
EUR millions

		Total, excluding Banco de España												Banco de España			
	Financial account	Total (NCL- NCA)	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL- NCA)	Balance (NCL- NCA)	Re-serves (e)	Claims with the Euro-system (e)	Other net assets (NCL- NCA)	
	(NCL- NCA)		Balance (NCL- NCA)	Spanish invest- ment abroad (NCA)	Foreign invest- ment in Spain (NCL) (b)	Balance (NCL- NCA)	Spanish invest- ment abroad (NCA)	Foreign invest- ment in Spain (NCL) (c)	Balance (NCL- NCA)	Spanish invest- ment abroad (NCA)	Foreign invest- ment in Spain (NCL)						
	1= 2+13		2=3+6+ 9+12	3=5-4	4	5	6=8-7	7	8	9=11-10	10						11
03		17 826	16 251	-2 568	25 445	22 877	-26 592	65 634	39 042	48 845	15 876	64 722	-3 435	1 575	13 626	4 382	-16 433
04		34 851	48 861	-28 809	48 750	19 941	85 808	26 946	112 754	-8 212	28 419	20 207	74	-14 010	5 147	-13 760	-5 397
05	P	59 551	61 812	-12 693	31 177	18 484	57 890	78 714	136 605	16 599	46 258	62 857	16	-2 261	1 439	14 855	-18 555
05 J-O	P	51 870	57 259	-10 068	22 646	12 579	56 635	51 021	107 656	11 159	38 240	49 399	-468	-5 389	1 649	9 743	-16 781
06 J-O	P	73 304	95 818	-39 643	52 299	12 656	171 969	-7 399	164 570	-38 484	66 944	28 460	1 976	-22 513	-387	-14 172	-7 954
05 Jul	P	3 737	-851	110	1 185	1 295	-12 894	14 717	1 823	11 533	2 494	14 027	399	4 588	109	6 086	-1 606
Aug	P	3 977	492	304	625	929	-13 296	8 479	-4 817	13 995	-14 251	-257	-510	3 486	3	4 913	-1 431
Sep	P	7 672	18 950	-331	2 860	2 529	25 795	-1 808	23 988	-6 433	13 261	6 827	-82	-11 278	-100	-10 184	-994
Oct	P	5 333	6 522	987	1 252	2 239	3 078	6 285	9 363	1 562	6 572	8 134	896	-1 190	-71	-986	-133
Nov	P	3 735	-103	4 548	2 622	7 170	-8 569	23 580	15 011	3 088	6 465	9 553	830	3 838	-463	4 286	15
Dec	P	3 947	4 657	-7 173	5 908	-1 265	9 824	4 113	13 938	2 352	1 554	3 905	-346	-710	253	826	-1 789
06 Jan	P	6 755	17 245	-334	2 107	1 773	15 477	6 077	21 554	2 908	1 501	4 409	-806	-10 490	45	-9 761	-773
Feb	P	9 156	8 135	-24 546	26 092	1 546	19 632	5 407	25 039	12 695	12 877	25 572	355	1 021	-24	962	83
Mar	P	10 051	11 063	-2 366	2 154	-212	10 017	10 777	20 795	2 416	2 853	5 269	995	-1 012	-233	-952	173
Apr	P	6 046	9 239	-1 281	2 664	1 384	11 461	-2 192	9 270	-1 206	7 499	6 292	265	-3 193	440	-3 502	-131
May	P	5 838	3 857	-2 642	3 900	1 258	38 540	-16 995	21 545	-30 727	7 018	-23 709	-1 315	1 982	171	2 240	-429
Jun	P	6 682	10 967	-4 801	4 231	-570	26 465	-2 501	23 964	-11 080	2 677	-8 404	383	-4 285	-270	-4 148	134
Jul	P	8 944	11 374	-547	3 396	2 849	20 204	-1 035	19 169	-7 704	5 063	-2 642	-579	-2 430	113	-1 897	-646
Aug	P	4 676	-4 346	-2 143	2 198	55	1 646	1 810	3 455	-3 797	4 036	240	-51	9 021	-150	10 682	-1 511
Sep	P	7 699	10 712	-2 754	4 250	1 496	14 119	-6 117	8 003	-456	9 834	9 378	-197	-3 013	-482	-1 975	-557
Oct	P	7 457	17 571	1 771	1 306	3 077	14 407	-2 631	11 776	-1 532	13 587	12 055	2 925	-10 114	4	-5 821	-4 297

FINANCIAL ACCOUNT  
(NCL-NCA)



FINANCIAL ACCOUNT, EXCLUDING BANCO DE ESPAÑA. Breakdown.  
(NCL-NCA)



Sources: BE. Data compiled in accordance with the IMF Balance of Payments Manual (5th edition).

a. Changes in assets (NCA) and changes in liabilities (NCL) are both net of repayments. A positive (negative) sign in NCA columns indicates an outflow (inflow) of foreign financing. A positive (negative) sign in NCL columns implies an inflow (outflow) of foreign financing.

b. This does not include direct investment in quoted shares, but does include portfolio investment in unquoted shares.

c. This includes direct investment in quoted shares, but does not include portfolio investment in unquoted shares. d. Mainly, loans, deposits and repos.

e. A positive (negative) sign indicates a decrease (increase) in the reserves and/or claims of the BE with the Eurosystem.

### 7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORT AND DISPATCHES

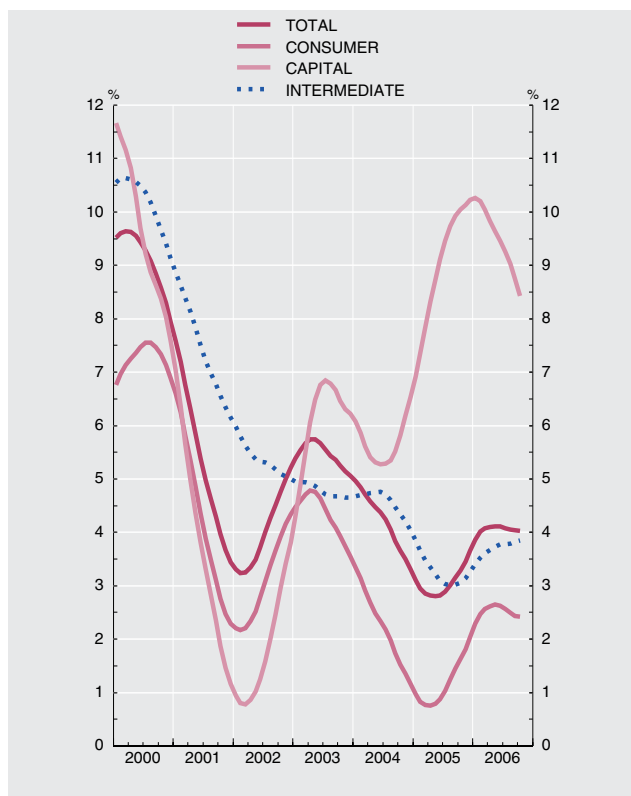
■ Series depicted in chart.

Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)								
	EUR millions	Nom- inal	De- flated (a)	Con- sumer	Capital	Intermediate			EU 25				OECD		OPEC	Other American coun- tries	Newly indus- trialised coun- tries
						Total	Energy	Non- energy	Total	of which:		of which:					
										EU 15	Euro area	Total	United States				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
01	129 771	4.5	4.2	3.7	-1.4	5.7	-22.8	7.5	6.3	6.0	5.1	4.5	-6.6	8.3	-6.1	-6.6	
02	133 268	2.7	3.7	3.9	-3.5	4.8	4.7	4.7	2.6	2.1	1.2	3.3	2.4	10.1	-19.8	5.7	
03	138 119	3.6	5.2	4.2	11.9	4.8	24.7	3.9	4.4	4.5	5.2	3.8	-1.7	-5.4	2.2	-23.4	
04	146 925	6.4	5.3	2.2	13.1	6.6	10.2	6.4	4.9	5.1	5.2	5.9	2.0	12.2	3.3	4.7	
05	155 005	5.5	0.8	-0.9	5.3	1.4	-8.9	2.0	2.5	2.3	2.1	4.2	10.2	10.4	11.8	14.5	
05 Sep	13 516	11.7	5.9	6.1	16.1	4.2	-0.1	4.5	7.8	7.0	5.3	9.7	27.1	25.9	21.9	12.0	
Oct	13 216	1.6	-2.4	0.6	-11.2	-3.4	-4.1	-3.4	0.4	-0.1	-0.5	2.4	11.3	-14.7	-11.1	24.0	
Nov	14 593	5.9	1.5	-1.9	25.0	0.1	-1.8	0.2	-1.2	-1.4	-1.6	1.7	6.1	25.7	82.5	53.5	
Dec	13 291	7.6	1.3	-2.5	19.9	0.4	-12.1	1.1	5.1	5.3	3.9	6.1	-4.0	-33.0	62.9	13.3	
06 Jan	12 753	17.0	12.2	8.7	56.4	8.3	-1.6	8.9	7.6	7.3	5.0	13.1	52.6	6.6	102.4	4.0	
Feb	13 992	15.2	11.6	14.1	31.8	6.5	29.9	5.6	9.2	8.6	8.8	11.1	32.8	58.6	45.9	60.6	
Mar	15 450	19.9	14.2	15.3	37.4	9.6	12.2	9.5	12.0	11.7	10.5	16.3	46.0	20.5	63.5	41.8	
Apr	13 161	-1.8	-6.3	-10.1	0.3	-4.6	-4.5	-4.6	-5.7	-6.3	-6.9	-1.3	11.7	-35.5	26.2	27.3	
May	15 472	16.3	11.2	11.3	20.6	9.5	4.6	9.7	12.7	12.2	11.0	14.4	41.6	-2.0	103.0	36.0	
Jun	15 192	11.9	6.2	9.2	-14.3	9.0	-10.7	10.0	13.1	12.9	12.2	9.7	24.0	24.7	39.7	14.6	
Jul	13 597	6.2	0.1	-2.8	8.3	0.4	-13.8	1.1	7.2	6.6	9.1	6.5	15.6	-14.4	32.4	-9.0	
Aug	11 264	13.5	7.5	6.5	26.1	5.1	-12.6	6.4	9.3	8.7	10.6	10.3	26.3	25.2	79.4	4.1	
Sep	14 092	4.3	-1.0	-5.3	18.9	-1.1	-16.2	-0.2	3.8	3.6	4.9	3.1	-1.2	-0.6	11.1	23.5	
Oct	15 264	15.5	9.3	5.0	27.0	9.9	-21.1	11.6	17.6	17.3	18.2	14.5	-4.1	-1.5	57.0	31.3	

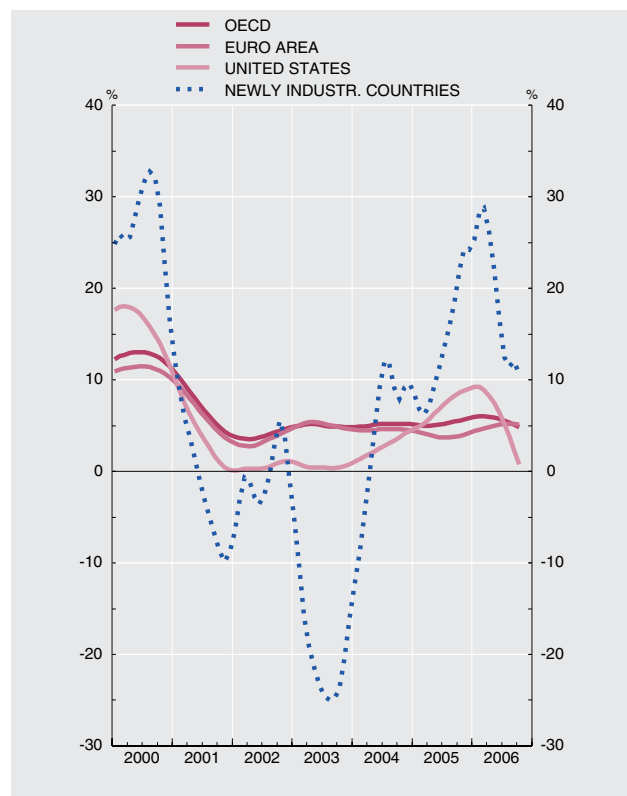
#### BY PRODUCT

Annual percentage changes (trend obtained with TRAMO-SEATS method)



#### BY GEOGRAPHICAL AREA

Annual percentage changes (trend obtained with TRAMO-SEATS method)



Sources: ME y BE.

Note: The underlying series for this indicator are in Tables 17.4 and 17.5 of the Boletín estadístico.

The monthly series are provisional data, while the annual series are the final foreign trade data.

a. Series deflated by unit value indices.

## 7.4. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD IMPORTS AND ARRIVALS

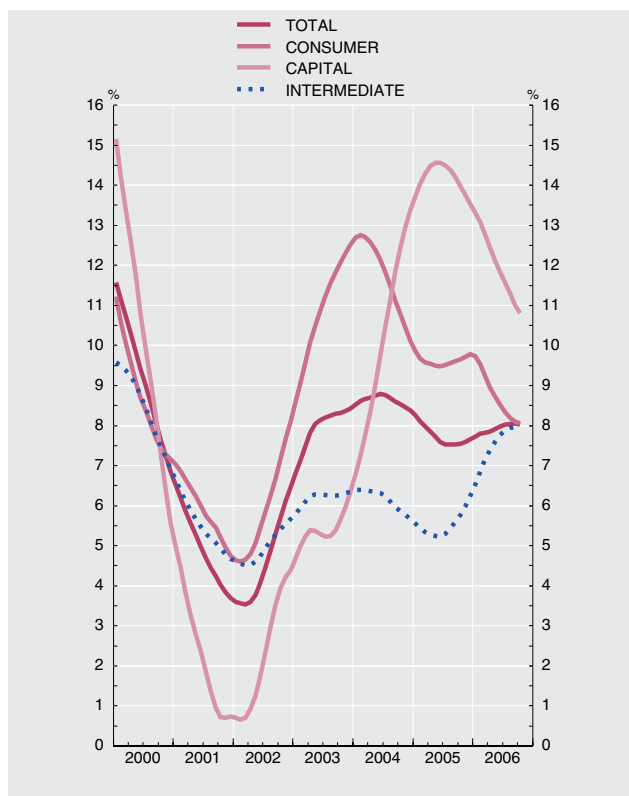
■ Series depicted in chart.

Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)							
	EUR millions	Nom- inal	De- flated (a)	Con- sumer	Capital	Intermediate			EU 25			OECD		OPEC	Other Amer- ican coun- tries	Newly indus- trialised coun- tries
						Total	Energy	Non- energy	Total	of which:		of which:				
										EU 15	Euro area	Total	United States			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
01	173 210	2.2	3.4	6.4	-2.0	3.2	-1.0	4.3	3.5	3.0	3.8	2.6	-10.1	-8.1	3.7	-2.2
02	175 268	1.2	4.3	5.0	-5.4	5.9	5.6	5.9	1.6	1.3	1.9	0.9	-8.5	-11.0	5.7	2.4
03	185 114	5.6	7.1	9.6	12.9	4.8	1.0	5.7	5.9	5.4	5.3	5.8	-4.8	1.9	12.9	1.1
04	208 411	12.6	9.9	13.5	14.4	7.3	10.6	6.5	9.8	9.5	10.1	11.3	9.3	12.8	7.9	14.6
05	232 954	11.8	6.4	8.4	17.6	3.4	10.9	1.5	5.5	5.2	5.3	6.1	-0.1	36.9	29.3	11.2
05 Sep	20 622	12.1	7.6	9.0	17.0	5.1	9.4	4.1	6.5	6.0	6.7	6.8	-4.7	59.1	-15.4	22.3
Oct	19 855	7.9	3.0	6.8	-4.0	2.4	17.2	-0.7	0.8	-0.6	-0.2	1.9	-8.5	30.5	45.1	13.4
Nov	21 886	12.4	8.3	7.7	47.9	1.1	12.8	-1.4	3.6	2.9	3.0	3.3	-18.2	39.9	149.1	35.5
Dec	20 472	10.4	3.1	11.5	-11.9	3.7	-4.9	5.9	6.0	4.8	2.8	5.7	5.9	43.7	49.7	-15.3
06 Jan	19 337	19.5	13.1	40.4	20.8	-0.2	1.8	-0.8	13.8	13.2	13.8	13.3	18.2	44.3	50.1	49.5
Feb	20 497	18.9	11.6	9.3	10.0	12.8	13.5	12.6	10.7	8.0	8.9	12.4	16.9	54.1	38.5	43.3
Mar	23 477	21.5	14.7	14.4	2.8	17.3	13.2	18.4	14.7	12.5	13.4	16.7	39.8	47.3	57.0	26.6
Apr	20 045	0.6	-6.4	-4.6	-12.6	-5.9	2.3	-7.7	-2.6	-3.6	-3.0	-4.2	-5.8	26.2	-13.9	5.9
May	23 000	16.9	10.1	11.1	1.2	11.4	17.7	10.0	11.5	9.9	8.5	10.8	-20.0	36.2	55.5	47.1
Jun	22 877	13.5	11.6	10.9	-2.8	14.9	4.7	17.2	11.4	10.5	11.6	8.4	-22.6	52.3	11.8	46.7
Jul	20 774	9.8	8.5	3.4	12.3	10.3	4.8	11.6	7.7	7.4	8.0	7.5	37.8	30.3	4.8	21.7
Aug	19 342	13.0	10.5	4.9	5.2	14.4	1.3	19.0	8.9	8.0	8.2	9.0	-4.6	26.1	24.6	28.8
Sep	21 740	5.4	4.6	-0.5	2.3	7.6	-8.5	11.7	3.0	2.1	1.6	3.4	-3.2	-7.1	39.8	9.8
Oct	23 665	19.2	17.1	13.6	31.5	16.5	15.1	16.9	13.3	13.5	14.8	13.9	18.1	38.1	51.8	41.5

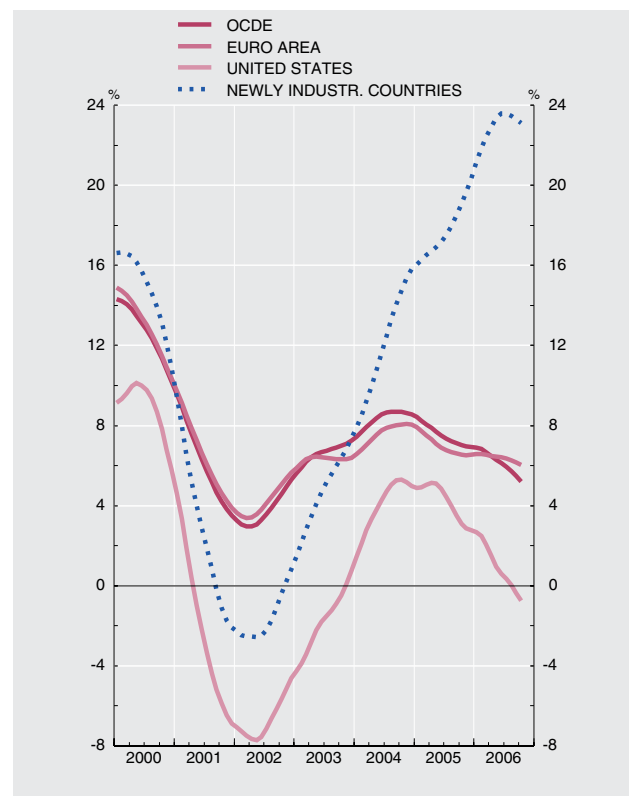
### BY PRODUCTS

Annual percentage changes (trend obtained with TRAMO SEATS method)



### BY GEOGRAPHICAL AREA

Annual percentage changes (trend obtained with TRAMO-SEATS method)



Sources: ME y BE.

Note: The underlying series for this indicator are in Tables 17.2 and 17.3 of the Boletín estadístico.

The monthly series are provisional data, while the annual series are the final foreign trade data.

a. Series deflated by unit value indices.

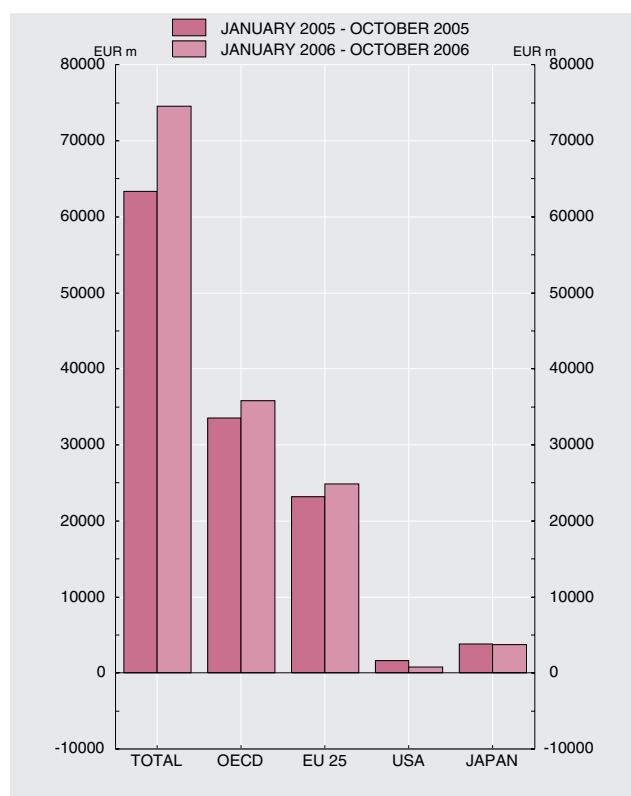
## 7.5. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD. TRADE BALANCE. GEOGRAPHICAL DISTRIBUTION

■ Series depicted in chart.

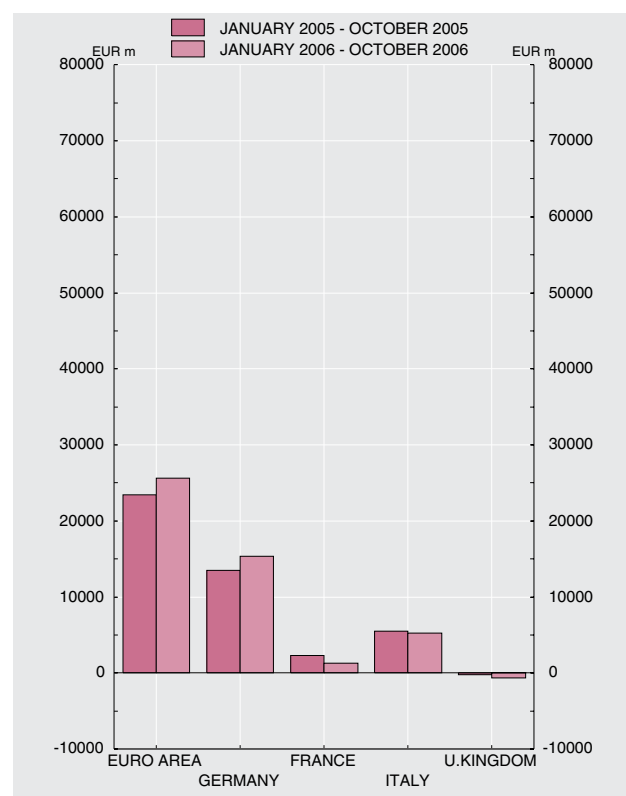
EUR millions

	European Union (EU 25)									OECD			OPEC	Other American countries	Newly industrialised countries
World total	Total	European Union (EU 15)							of which:						
		Total	Euro area				United Kingdom	Other EU 15 members	Total	United States of America	Japan				
			of which:												
			Total	Germany	France	Italy									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
01	-43 439	-17 290	-17 987	-17 474	-11 539	-3 683	-4 283	-462	-51	-26 363	-2 219	-3 159	-9 501	420	-2 176
02	-42 000	-16 612	-17 543	-18 385	-12 970	-3 436	-3 312	1 430	-587	-24 004	-1 416	-3 224	-7 771	-897	-2 176
03	-46 995	-19 048	-19 322	-19 450	-13 731	-3 239	-3 517	1 035	-907	-27 616	-1 170	-3 855	-8 187	-1 467	-2 600
04	-61 486	-25 907	-25 478	-25 473	-16 282	-3 353	-5 671	472	-476	-36 990	-1 692	-4 583	-9 253	-1 784	-3 104
05	-77 950	-30 553	-29 889	-29 596	-16 749	-3 112	-6 938	-210	-82	-41 592	-1 092	-4 769	-13 683	-3 089	-3 411
05 J-O	-63 338	-23 541	-23 165	-23 471	-13 464	-2 332	-5 479	269	37	-33 577	-1 640	-3 849	-10 720	-2 648	-2 730
06 J-O	-74 517	-26 149	-24 873	-25 662	-15 317	-1 265	-5 218	651	139	-35 834	-813	-3 758	-15 099	-2 645	-3 704
05 Sep	-7 106	-2 365	-2 349	-2 469	-1 404	-376	-494	70	50	-3 296	-55	-394	-1 609	-226	-307
Oct	-6 639	-2 673	-2 494	-2 472	-1 378	-239	-586	-54	33	-3 516	29	-373	-1 060	-395	-302
Nov	-7 293	-2 780	-2 707	-2 567	-1 363	-267	-674	-193	53	-3 767	-93	-443	-1 294	-528	-386
Dec	-7 182	-3 700	-3 551	-3 282	-1 451	-589	-841	-246	-23	-4 590	11	-424	-1 275	96	-311
06 Jan	-6 584	-2 113	-2 057	-2 336	-1 197	-189	-363	252	28	-3 001	-63	-330	-1 386	-170	-432
Feb	-6 504	-2 087	-1 904	-2 097	-1 593	195	-583	251	-59	-3 106	-140	-365	-1 288	-179	-310
Mar	-8 027	-3 066	-2 876	-2 958	-1 800	-220	-623	132	-50	-4 208	-146	-413	-1 641	-302	-339
Apr	-6 884	-2 729	-2 571	-2 495	-1 394	-177	-461	-138	62	-3 386	-179	-307	-1 479	-162	-286
May	-7 528	-2 591	-2 356	-2 382	-1 692	-21	-417	-46	71	-3 450	32	-432	-1 404	-372	-441
Jun	-7 685	-3 060	-2 923	-3 136	-1 594	-597	-475	194	19	-4 015	28	-421	-1 560	-207	-476
Jul	-7 177	-2 676	-2 675	-2 716	-1 563	-101	-680	-19	60	-3 540	-209	-336	-1 549	-118	-359
Aug	-8 078	-2 856	-2 773	-2 708	-1 491	-165	-483	-68	3	-3 752	2	-326	-1 716	-123	-301
Sep	-7 647	-2 359	-2 256	-2 251	-1 396	-83	-460	-5	-0	-3 437	-43	-372	-1 476	-429	-322
Oct	-8 402	-2 612	-2 481	-2 582	-1 597	93	-672	97	4	-3 939	-95	-455	-1 601	-582	-439

### CUMULATIVE TRADE DEFICIT



### CUMULATIVE TRADE DEFICIT



Source: ME.

Note: The underlying series for this indicator are in Tables 17.3 and 17.5 of the Boletín Estadístico.

The monthly series are provisional data, while the annual series are the final foreign trade data.

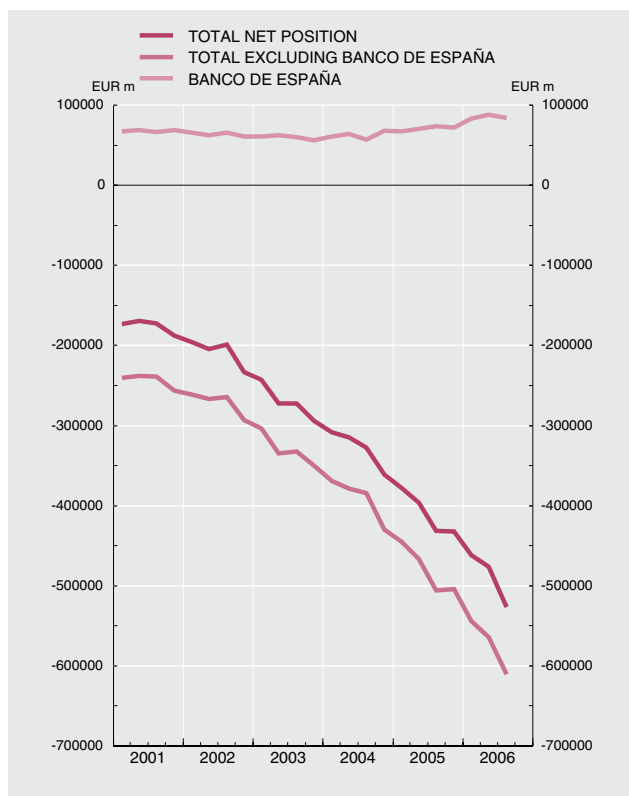
## 7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

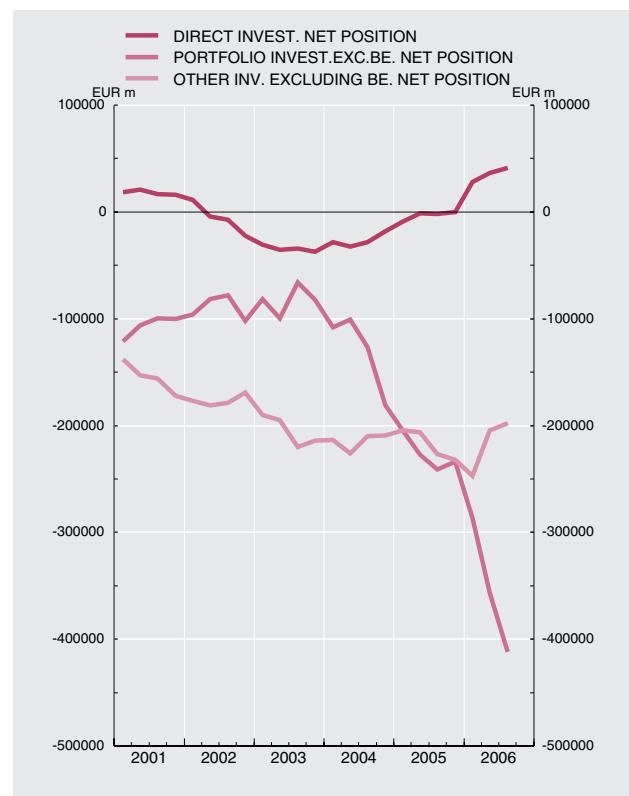
End-of-period stocks in EUR billions

	Net international investment position (assets-liabil.)	Total excluding Banco de España											Banco de España				
		Net position excluding Banco de España (assets - liabil.)	Direct investment			Portfolio investment			Other investment			Banco de España net position (assets-liabil.)	Reserves	Assets vis-à-vis the Euro-system	Other net assets (assets-liabil.)		
			Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)						
	1=2+12	2=3+6+9	3=4-5	4	5	6=7-8	7	8	9=10-11	10	11	12=13+15	13	14	15		
98		-160.5	-213.1	-44.5	63.5	108.0	-136.4	73.1	209.5	-32.2	161.5	193.7	52.5	52.1	-	0.4	
99		-165.2	-239.0	-7.3	117.5	124.8	-141.0	127.4	268.4	-90.7	152.8	243.5	73.7	37.3	36.0	0.4	
00		-160.1	-244.1	12.2	180.2	168.0	-117.0	193.7	310.7	-139.3	166.4	305.8	84.0	38.2	45.3	0.4	
01		-188.0	-256.4	16.3	217.5	201.1	-100.4	232.6	333.1	-172.3	172.5	344.8	68.5	38.9	29.2	0.4	
02	R	-232.9	-293.6	-22.1	223.1	245.2	-102.6	256.8	359.4	-168.9	197.4	366.3	60.6	38.4	22.7	-0.4	
03	Q3	-272.6	-332.4	-34.3	229.5	263.8	-77.9	309.6	387.4	-220.2	193.2	413.4	59.8	25.4	22.2	12.1	
	Q4	-294.1	-350.2	-37.4	231.6	268.9	-98.6	319.8	418.4	-214.2	204.0	418.1	56.1	21.2	18.3	16.6	
04	Q1	-308.8	-369.3	-28.2	242.0	270.2	-127.5	332.8	460.3	-213.6	210.9	424.4	60.5	17.6	23.1	19.9	
	Q2	-314.9	-379.1	-32.4	247.6	280.0	-120.6	347.9	468.5	-226.1	222.1	448.2	64.2	16.2	27.9	20.0	
	Q3	-327.8	-384.6	-28.4	254.5	282.9	-146.1	344.4	490.5	-210.0	229.7	439.7	56.8	15.9	20.5	20.4	
	Q4	-361.5	-429.6	-18.0	272.7	290.7	-202.1	359.3	561.4	-209.5	222.2	431.7	68.1	14.5	31.9	21.7	
05	Q1	-377.6	-444.9	-9.1	287.3	296.4	-231.1	366.5	597.7	-204.7	240.5	445.2	67.3	13.3	25.2	28.8	
	Q2	-396.6	-467.0	-1.1	298.3	299.4	-259.4	390.8	650.2	-206.5	256.6	463.1	70.4	13.7	22.0	34.7	
	Q3	-431.7	-505.7	-1.9	302.1	304.0	-277.3	417.7	695.1	-226.5	256.7	483.2	74.0	14.0	21.2	38.7	
	Q4	-432.2	-504.4	-0.2	316.0	316.3	-272.0	454.7	726.7	-232.2	272.0	504.2	72.2	14.6	17.1	40.5	
06	Q1	-461.5	-544.5	27.9	349.0	321.0	-325.5	476.7	802.2	-246.9	287.4	534.3	83.0	15.4	26.8	40.8	
	Q2	-476.2	-564.0	36.4	361.5	325.1	-395.9	444.4	840.2	-204.6	301.5	506.1	87.8	14.6	32.2	41.0	
	Q3	-526.4	-610.2	41.6	372.8	331.3	-454.1	450.0	904.1	-197.7	316.0	513.7	83.8	15.0	25.4	43.4	

### INTERNATIONAL INVESTMENT POSITION



### COMPONENTS OF THE POSITION



Source: BE.

Note: As from December 2002, portfolio investment data have been calculated using a new information system (see Banco de España Circular 2/2001 and note on changes introduced in the economic indicators). The incorporation of the new data under the heading 'shares and mutual funds' of other resident sectors entails a very significant break in the time series, both in the financial assets and the liabilities, so that the series have been revised back to 1992. This methodological change introduced by the new system also affects the rest of the headings, to some extent, but the effect does not justify a complete revision of the series.

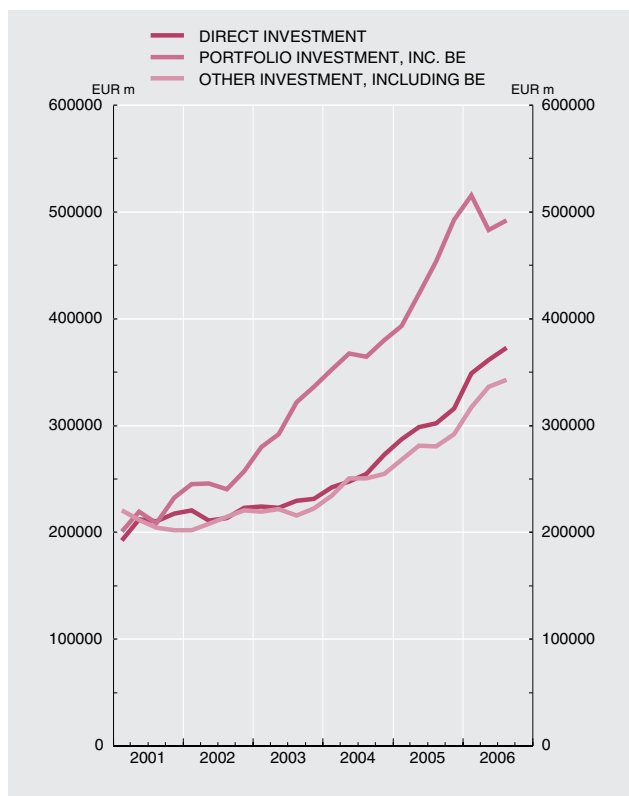
## 7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

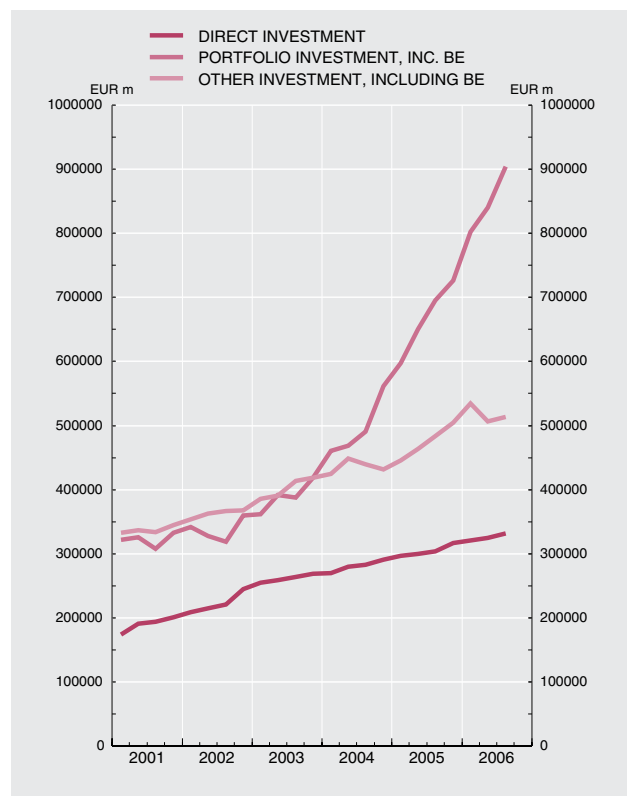
End-of-period stocks in EUR millions

	Direct investment				Portfolio investment, including Banco de España				Other investment, including Banco de España	
	Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad	Foreign investment in Spain
	Shares and other equities	Intercompany debt transactions	Shares and other equities	Intercompany debt transactions	Shares and mutual funds	Debt securities	Shares and mutual funds	Debt securities		
	1	2	3	4	5	6	7	8	9	10
<b>98</b>	57 849	5 690	90 760	17 284	20 250	52 876	116 698	92 841	162 001	193 708
<b>99</b>	110 031	7 469	106 535	18 251	42 282	85 105	145 948	122 443	189 266	243 489
<b>00</b>	167 151	13 095	142 844	25 182	83 918	109 764	147 521	163 138	212 159	305 778
<b>01</b>	197 233	20 231	164 360	36 768	74 596	158 052	144 151	188 925	202 099	344 845
<b>02</b>	206 268	16 815	194 711	50 456	50 712	206 581	116 967	242 432	220 483	367 646
<b>03 Q3</b>	213 679	15 798	210 597	53 203	56 847	264 746	130 593	256 851	215 885	413 722
<b>04 Q4</b>	217 086	14 477	207 096	61 828	62 677	273 344	147 878	270 550	222 670	418 202
<b>04 Q1</b>	225 194	16 839	208 256	61 959	70 575	281 731	153 501	306 828	234 370	424 502
<b>04 Q2</b>	230 136	17 502	214 813	65 205	75 271	292 225	149 108	319 383	250 458	448 183
<b>04 Q3</b>	234 813	19 650	218 183	64 722	71 014	293 161	150 702	339 786	250 801	439 744
<b>04 Q4</b>	254 696	18 019	223 215	67 524	78 053	302 067	183 210	378 191	254 992	431 682
<b>05 Q1</b>	267 102	20 228	225 509	70 912	79 829	313 130	184 792	412 858	268 003	445 160
<b>05 Q2</b>	278 128	20 133	229 734	69 643	83 676	339 219	178 505	471 723	281 309	463 176
<b>05 Q3</b>	281 023	21 056	230 523	73 446	93 654	360 155	204 333	490 751	280 597	483 196
<b>05 Q4</b>	295 072	20 963	240 442	75 835	104 157	388 472	197 346	529 390	291 828	504 329
<b>06 Q1</b>	327 467	21 526	240 840	80 209	119 446	395 944	214 643	587 579	316 800	534 756
<b>06 Q2</b>	337 569	23 914	246 659	78 423	122 057	361 144	206 545	633 666	336 160	506 349
<b>06 Q3</b>	350 121	22 725	249 595	81 684	127 326	364 586	232 504	671 577	343 086	513 906

### SPANISH INVESTMENT ABROAD



### FOREIGN INVESTMENT IN SPAIN



Source: BE.

Note: See footnote to Indicator 7.6

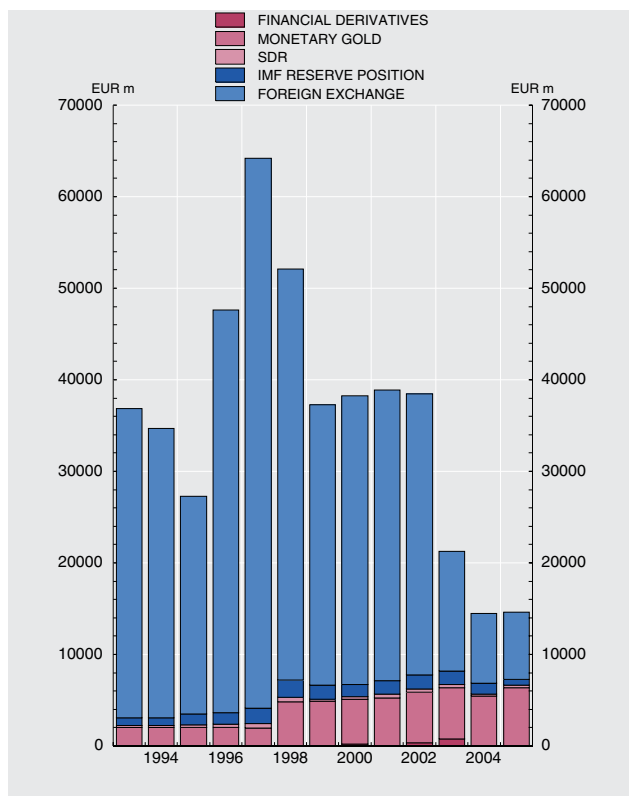
## 7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

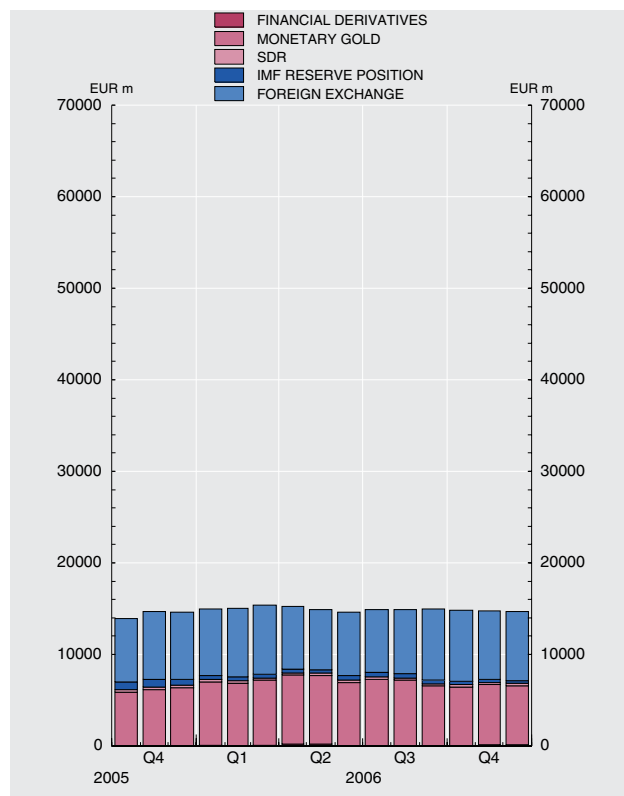
End-of-period stocks in EUR millions

	Reserve assets						Memorandum item: gold
	Total	Foreign exchange	Reserve position in the IMF	SDRs	Monetary gold	Financial derivatives	Millions of troy ounces
	1	2	3	4	5	6	7
<b>01</b>	38 865	31 727	1 503	398	5 301	-63	16.8
<b>02</b>	38 431	30 695	1 518	337	5 500	382	16.8
<b>03</b>	21 229	13 073	1 476	328	5 559	793	16.8
<b>04</b>	14 505	7 680	1 156	244	5 411	15	16.8
<b>05</b>							
Jul	13 409	6 827	918	270	5 726	-332	16.2
Aug	13 260	6 784	882	274	5 610	-290	15.9
Sep	14 032	6 896	839	275	6 236	-214	15.9
Oct	13 893	6 894	820	275	5 959	-55	15.2
Nov	14 694	7 423	825	281	6 238	-72	14.8
Dec	14 601	7 306	636	281	6 400	-21	14.7
<b>06</b>							
Jan	14 970	7 254	432	279	6 904	102	14.7
Feb	15 005	7 443	437	261	6 878	-15	14.7
Mar	15 377	7 544	405	258	7 101	69	14.7
Apr	15 255	6 851	399	254	7 537	214	14.7
May	14 910	6 575	395	253	7 472	217	14.7
Jun	14 605	6 925	474	253	6 950	3	14.7
Jul	14 918	6 896	469	255	7 295	3	14.7
Aug	14 915	7 018	468	256	7 155	18	14.7
Sep	14 972	7 746	410	258	6 586	-27	13.9
Oct	14 809	7 723	361	258	6 470	-3	13.7
Nov	14 750	7 489	322	254	6 544	141	13.4
Dec	14 685	7 533	303	254	6 467	127	13.4

RESERVE ASSETS  
END-OF-YEAR POSITIONS



RESERVE ASSETS  
END-OF-MONTH POSITIONS



Source: BE.

Note: From January 1999 the assets denominated in euro and other currencies vis-à-vis residents of other euro area countries are not considered reserve assets. To December 1998, data in pesetas have been converted to euro using the irrevocable euro conversion rate. Since January 1999, all reserve assets are valued at market prices. As of January 2000 reserve assets data have been compiled in accordance with the IMF's new methodological guidelines published in the document 'Data Template on International Reserves and Foreign Currency Liquidity. Operational Guidelines', October 1999 (<http://dsbb.imf.org/guide.htm>). Using this new definition, total reserve assets as at 31.12.99 would have been EUR 37835 million instead of the amount of EUR 37288 million published in this table.



## 7.9. SPAIN'S EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY

End-of-period positions

EUR millions

	General government							Other monetary financial institutions				
	Total	Total	Short-term		Long-term			Total	Short-term		Long-term	
			Money market instruments	Loans	Bonds and notes	Loans	Trade credits		Money market instruments	Deposits	Bonds and notes	Deposits
	1	2	3	4	5	6	7	8	9	10	11	12
<b>03 Q1</b>	694 062	183 831	2 196	710	168 451	12 474	-	328 247	315	165 842	39 596	122 493
<b>Q2</b>	714 542	188 667	3 069	267	173 146	12 185	-	339 679	323	170 814	44 803	123 739
<b>Q3</b>	742 230	180 683	3 560	1 780	163 164	12 179	-	362 703	353	183 340	49 208	129 801
<b>Q4</b>	772 151	176 501	4 386	335	159 152	12 628	-	374 134	326	187 752	56 363	129 693
<b>04 Q1</b>	815 836	192 248	3 676	489	175 038	13 046	-	392 763	361	186 529	72 389	133 485
<b>Q2</b>	856 930	189 133	3 270	428	172 295	13 140	-	425 673	353	207 118	79 525	138 676
<b>Q3</b>	869 490	195 478	3 136	1 755	177 223	13 363	-	423 076	362	198 299	88 442	135 974
<b>Q4</b>	905 586	205 301	2 956	705	184 762	16 879	-	427 337	301	194 245	100 720	132 071
<b>05 Q1</b>	955 949	207 044	2 600	1 024	185 229	18 191	-	456 634	467	202 197	121 669	132 301
<b>Q2</b>	1 035 532	215 989	2 268	437	196 014	17 271	-	486 303	577	232 191	135 725	117 810
<b>Q3</b>	1 078 307	215 507	3 168	1 424	193 840	17 075	-	514 171	381	264 976	147 038	101 776
<b>Q4</b>	1 142 043	215 612	2 547	65	194 976	18 025	-	545 000	733	276 566	160 814	106 887
<b>06 Q1</b>	1 235 040	217 089	4 699	11	194 300	18 077	-	584 910	907	295 771	189 118	99 115
<b>Q2</b>	1 253 192	216 027	3 687	345	194 061	17 935	-	576 626	2 159	268 475	204 549	101 443
<b>Q3</b>	1 300 697	217 607	6 130	1 468	192 005	18 003	-	596 027	5 073	263 768	219 528	107 659

## 7.9. (CONT.) SPAIN'S EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY

End-of-period positions

EUR millions

	Monetary authority			Other residents sectors							Direct investment		
	Total	Short-term	Total	Short-term			Long-term				Total	Vis-à-vis	
		Deposits		Money market instruments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities		Direct investors	Subsidiaries
	13	14	15	16	17	18	19	20	21	22	23	24	25
03 Q1	798	798	117 787	2 678	19 084	123	31 964	62 955	446	537	63 399	32 831	30 568
Q2	870	870	119 491	2 497	17 701	167	34 248	63 864	437	576	65 836	33 091	32 745
Q3	313	313	126 874	2 418	20 273	168	38 148	64 957	419	491	71 657	33 529	38 128
Q4	92	92	138 025	2 297	19 198	-	48 027	67 707	404	393	83 400	39 453	43 947
04 Q1	62	62	146 256	2 321	20 013	359	53 044	69 446	405	669	84 506	36 525	47 981
Q2	1	1	152 760	2 561	18 245	229	61 378	69 317	403	625	89 364	37 420	51 944
Q3	0	0	160 976	3 312	18 630	634	67 310	70 159	393	537	89 960	37 773	52 187
Q4	16	16	177 219	4 043	19 005	1 175	85 408	66 692	414	482	95 713	38 686	57 027
05 Q1	0	0	194 339	4 274	20 617	787	98 620	68 848	405	788	97 932	39 357	58 575
Q2	71	71	232 537	3 839	19 952	1 569	133 301	72 690	398	788	100 633	41 338	59 294
Q3	42	42	244 227	3 401	19 324	1 636	142 923	75 931	365	646	104 360	42 494	61 866
Q4	126	126	272 980	3 380	17 975	996	166 940	82 925	364	399	108 324	43 464	64 861
06 Q1	462	462	319 874	2 905	19 065	408	195 650	101 113	359	374	112 706	46 767	65 938
Q2	291	291	347 072	4 283	17 806	330	224 928	99 010	352	363	113 177	47 996	65 180
Q3	158	158	371 691	4 641	19 835	826	244 201	101 476	350	363	115 214	49 345	65 868

Source: BE.

## 8.1.a CONSOLIDATED BALANCE SHEET OF THE EUROSISTEM. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending							Counterparts							
	Total	Open market operations				Standing facilities		Autonomous factors					Other liabilities (net) in euro	Actual reserves of credit institutions	Debt certificates
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning and structural reverse operations (net)	Other	Marginal lending facility	Deposit facility	Total	Bank-notes	Net liabilities to general government	Gold and net assets in foreign currency	Other (net)			
	1=2+3+4 +5+6+7	2	3	4	5	6	7	8=9+10 -11+12	9	10	11	12	13	14	15
05 Jul	396 451	307 025	90 000	-457	1	67	185	246 362	529 715	27 514	306 173	-4 694	523	149 566	-
Aug	398 523	308 783	89 998	-22	11	18	266	246 736	532 886	24 501	304 931	-5 720	771	151 016	-
Sep	379 522	289 091	89 999	432	9	76	85	226 489	530 079	9 620	304 733	-8 476	1 556	151 477	-
Oct	380 847	291 327	89 999	-405	-7	61	128	227 409	534 411	7 149	315 263	1 112	2 194	151 245	-
Nov	389 195	299 224	90 002	-	1	80	113	234 860	538 109	11 412	313 526	-1 135	2 625	151 709	-
Dec	406 048	317 137	89 211	-341	5	145	109	248 369	558 128	5 237	312 391	-2 605	3 092	154 588	-
06 Jan	408 320	316 136	91 835	318	2	109	81	250 562	552 874	12 261	325 172	10 599	3 581	154 177	-
Feb	398 591	296 300	102 017	325	0	62	114	239 384	549 393	9 701	324 915	5 204	2 797	156 410	-
Mar	405 993	295 305	110 886	-113	-0	42	126	244 219	554 137	12 476	324 109	1 715	2 014	159 760	-
Apr	409 990	289 025	120 000	1 300	-18	230	547	246 408	565 593	11 289	336 927	6 453	1 710	161 872	-
May	406 539	286 957	120 002	-500	-0	217	136	241 231	569 873	5 142	336 937	3 153	1 645	163 663	-
Jun	419 914	300 523	120 001	-223	-7	115	495	253 565	575 813	14 272	337 603	1 083	1 476	164 873	-
Jul	449 416	329 739	120 000	-405	-1	359	276	280 132	585 320	34 646	327 983	-11 851	1 783	167 501	-
Aug	436 866	317 587	120 002	-783	4	108	53	267 906	589 612	23 289	327 310	-17 685	3 046	165 915	-
Sep	427 171	307 761	120 002	-548	-2	120	162	254 585	587 088	17 667	326 287	-23 883	4 915	167 670	-
Oct	433 484	313 068	120 001	432	-9	84	92	261 353	591 532	22 866	327 789	-25 256	5 562	166 570	-
Nov	428 935	308 796	120 002	-	5	175	43	252 396	594 677	15 133	327 060	-30 353	5 361	171 178	-
Dec	442 027	321 852	119 999	119	-1	151	93	261 057	616 005	4 996	326 659	-33 285	5 152	175 819	-

## 8.1.b BALANCE SHEET OF THE BANCO DE ESPAÑA. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending							Counterparts									
	Total	Open market operations				Standing facilities		Autonomous factors					Other liabilities (net) in euro			Actual reserves of credit institutions	Banco de España certificates
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning and structural reverse operations (net)	Other	Marginal lending facility	Deposit facility	Total	Bank-notes	Net liabilities to general government	Gold and net assets in foreign currency	Other (net)	Total	Of euro area residents	Rest		
1=2+3+4 +5+6+7	2	3	4	5	6	7	8=9+10 -11+12	9	10	11	12	13=14+ +15	14	15	16	17	
05 Jul	30 823	28 108	2 725	-11	1	-	0	31 762	75 194	5 883	20 121	-29 194	-16 150	-13 372	-2 778	15 211	-
Aug	31 232	28 332	2 902	-	1	-	4	28 673	74 978	3 781	19 996	-30 091	-13 211	-10 398	-2 813	15 770	-
Sep	29 186	26 296	2 890	-	2	-	1	25 857	74 026	4 375	19 927	-32 617	-12 528	-10 124	-2 404	15 857	-
Oct	27 830	25 082	2 762	-8	-5	-	1	28 243	74 576	7 007	20 359	-32 981	-16 551	-14 554	-1 997	16 138	-
Nov	30 344	27 660	2 690	-	-1	0	5	29 321	74 987	8 288	20 102	-33 852	-14 259	-12 459	-1 800	15 282	-
Dec	30 285	27 714	2 599	-28	1	0	1	28 287	78 418	4 987	20 091	-35 027	-14 642	-12 803	-1 839	16 640	-
06 Jan	29 043	26 427	2 614	5	-0	-	3	28 602	78 458	5 881	20 570	-35 167	-14 818	-13 117	-1 701	15 259	-
Feb	28 631	25 724	2 906	-	1	3	2	30 723	77 841	8 807	20 573	-35 352	-18 684	-17 199	-1 485	16 591	-
Mar	26 841	23 879	2 967	-	-2	-	4	30 439	78 742	7 948	20 571	-35 680	-20 262	-18 756	-1 506	16 664	-
Apr	24 830	21 809	2 944	95	-17	-	1	31 754	80 819	7 398	20 927	-35 537	-23 536	-21 553	-1 983	16 612	-
May	25 257	22 251	3 022	-20	0	4	1	35 691	80 484	10 052	20 777	-34 068	-27 409	-24 561	-2 848	16 975	-
Jun	23 300	19 898	3 440	-32	-7	-	-	39 354	81 230	11 760	20 839	-32 797	-32 777	-29 058	-3 719	16 722	-
Jul	22 582	19 066	3 622	-67	-2	2	37	38 610	82 952	9 370	19 420	-34 292	-33 138	-29 195	-3 943	17 110	-
Aug	21 380	17 921	3 501	-45	3	-	-	35 048	82 545	7 925	18 369	-37 053	-31 044	-28 013	-3 032	17 376	-
Sep	21 261	17 621	3 677	-38	1	-	-	30 389	81 441	6 162	17 189	-40 025	-27 023	-24 750	-2 273	17 895	-
Oct	21 333	17 413	3 908	23	-9	-	0	30 132	81 689	8 621	16 037	-44 142	-26 775	-25 416	-1 359	17 977	-
Nov	21 334	17 392	3 939	-	2	0	0	29 670	81 557	11 191	15 636	-47 443	-26 688	-25 443	-1 245	18 352	-
Dec	21 181	17 497	3 671	10	-2	5	0	26 202	84 859	7 042	15 432	-50 267	-24 501	-23 640	-861	19 480	-

Sources: ECB for Table 8.1.a and BE for Table 8.1.b.

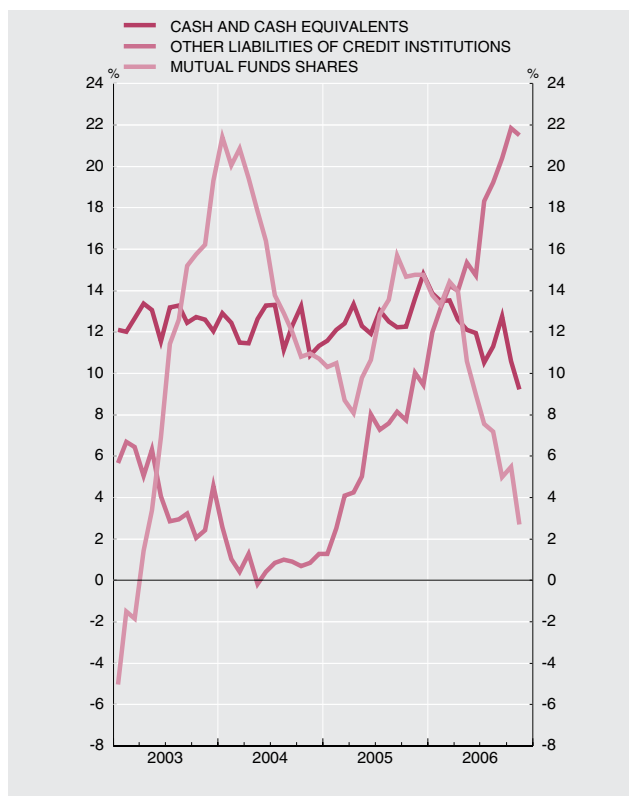
## 8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES (a) OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN

■ Series depicted in chart.

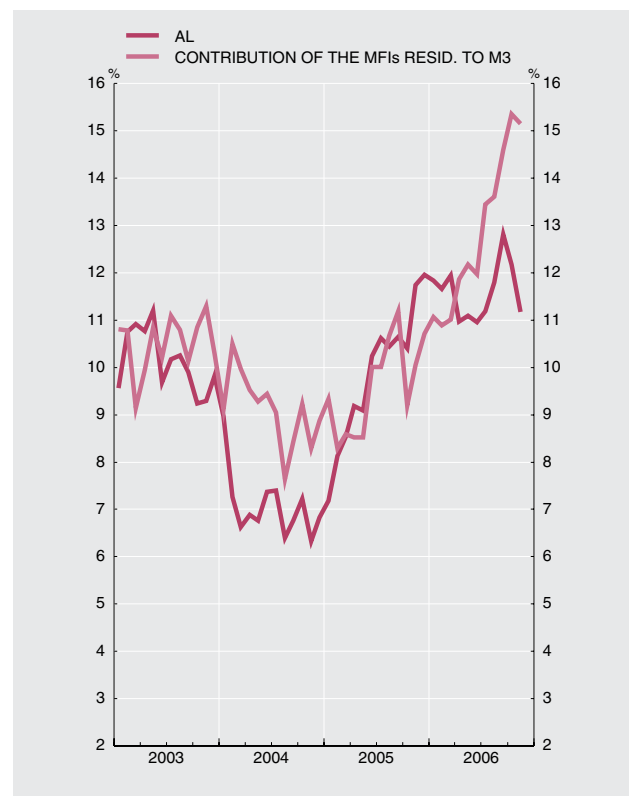
EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions					Mutual funds shares				Memorandum items	
	Stocks	12-month % change	12-m. % change		Stocks	12 month % change	12-month % change			Stocks	12-month % change	12-month % change		12-month % change	
			Cash	Deposits (b)			Other deposits (c)	Repos + credit institutions' securities	Deposits in branches abroad			Fixed income in EUR (d)	Other	AL (e)	Contribution of the MFIs resid. to M3
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
03	360 691	12.0	20.9	10.3	278 433	4.5	2.2	15.0	-0.7	173 917	19.3	18.5	20.2	9.8	10.3
04	401 569	11.3	19.7	9.5	281 968	1.3	8.4	-21.6	-8.3	192 531	10.7	6.1	16.1	6.8	8.9
05	460 998	14.8	18.0	14.0	308 617	9.5	10.5	5.8	3.0	220 928	14.7	7.6	22.3	12.0	10.7
05 Aug	429 624	12.5	17.6	11.4	295 275	7.6	10.9	-4.3	-4.7	213 414	13.6	10.4	17.0	10.4	10.7
Sep	436 819	12.2	18.7	10.8	294 824	8.2	10.3	2.7	-8.3	216 931	15.7	11.3	20.4	10.6	11.2
Oct	436 967	12.3	17.8	11.0	294 848	7.7	9.5	2.8	-6.7	216 371	14.7	10.5	19.1	10.4	9.2
Nov	446 669	13.6	18.4	12.5	302 513	10.0	10.2	10.4	5.2	219 119	14.7	9.0	20.8	11.7	10.1
Dec	460 998	14.8	18.0	14.0	308 617	9.5	10.5	5.8	3.0	220 928	14.7	7.6	22.3	12.0	10.7
06 Jan	451 854	13.9	17.3	13.0	313 628	12.0	10.6	21.7	1.8	221 664	13.8	3.4	24.6	11.8	11.1
Feb	456 730	13.5	17.2	12.6	318 553	13.2	11.1	26.1	5.9	224 802	13.3	0.1	26.8	11.7	10.9
Mar	464 215	13.5	17.6	12.6	325 553	14.2	12.9	27.9	-10.6	228 120	14.4	-1.0	29.9	12.0	11.0
Apr	464 202	12.6	16.8	11.6	325 991	14.0	12.8	23.8	-1.9	228 294	14.0	-4.1	32.5	11.0	11.9
May	467 463	12.1	15.5	11.3	330 843	15.3	13.5	29.4	-2.6	225 687	10.6	-4.8	26.3	11.1	12.2
Jun	487 494	11.9	15.1	11.2	336 908	14.7	13.9	26.2	-10.3	225 637	9.0	-3.6	21.9	11.0	12.0
Jul	487 845	10.5	13.4	9.9	344 063	18.3	16.7	33.0	-4.1	226 736	7.5	-5.6	20.9	11.2	13.4
Aug	478 107	11.3	13.2	10.8	352 047	19.2	17.7	33.3	-3.3	228 725	7.2	-6.5	21.2	11.8	13.6
Sep	492 514	12.8	12.6	12.8	354 932	20.4	19.3	33.4	-5.5	227 735	5.0	-7.7	17.5	12.8	14.6
Oct	483 216	10.6	11.2	10.4	359 258	21.8	20.5	34.6	1.2	228 230	5.5	-7.9	18.7	12.2	15.4
Nov	487 851	9.2	11.0	8.8	367 540	21.5	22.0	25.6	-3.5	225 011	2.7	-9.8	14.6	11.2	15.2

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS  
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS  
Annual percentage change



Source: BE.

a. This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 9, which includes deposits in Spanish bank branches abroad.

b. Current accounts, savings accounts and deposits redeemable at up to 3 months' notice.

c. Deposits redeemable at over 3 months' notice and time deposits.

d. The series includes the old categories of Money market funds and Fixed income mutual funds in euros.

e. Defined as cash and cash equivalents, other liabilities of credit institutions and Fixed income mutual funds shares in euros.

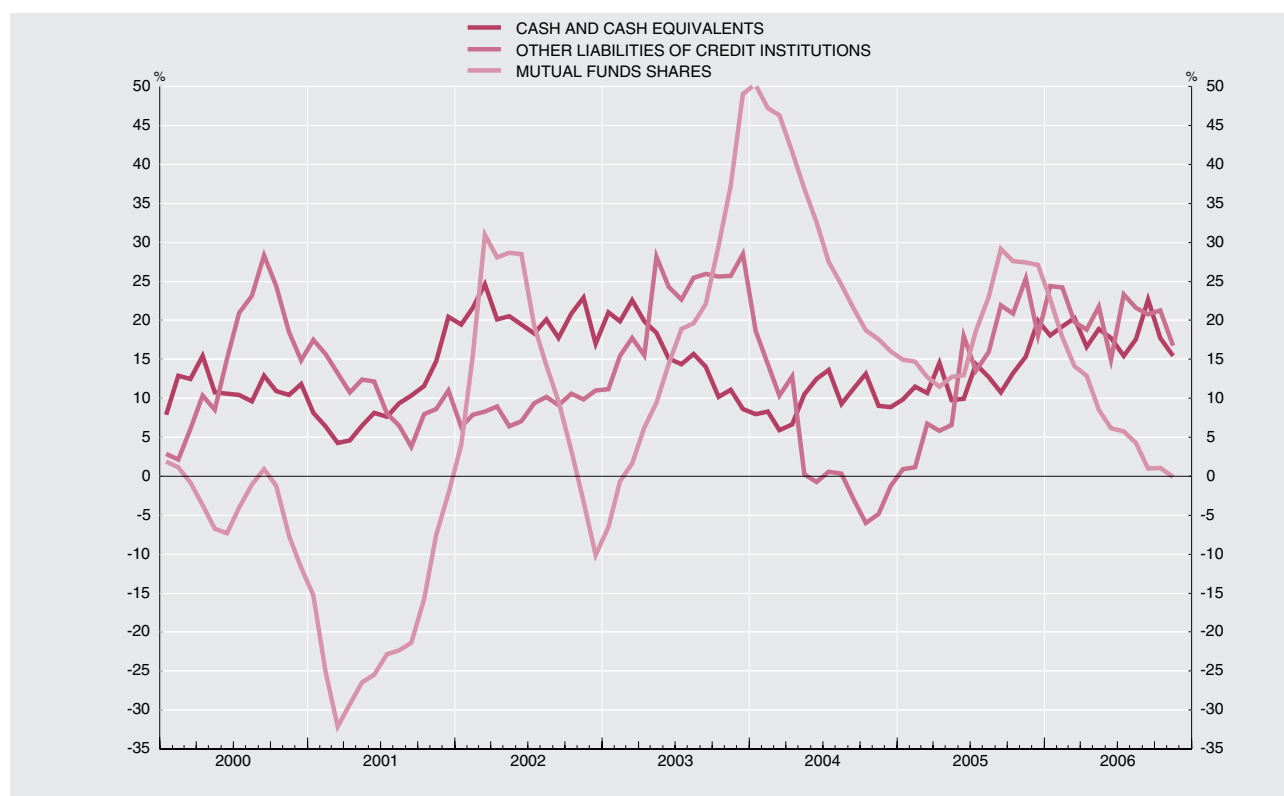
### 8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares			
	Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
					Other deposits (c)	Repos + credit instit., securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
1	2	3	4	5	6	7	8	9	10	
03	85 186	8.6	63 714	28.5	39.2	22.3	20 465	49.0	37.8	61.9
04	92 764	8.9	62 915	-1.3	24.6	-18.3	23 738	16.0	18.5	13.5
05	111 274	20.0	74 288	18.1	30.5	5.5	30 175	27.1	13.8	40.6
05 Aug	98 989	12.8	66 711	15.9	36.1	-2.5	28 197	23.0	13.2	33.7
Sep	101 033	10.7	68 087	21.9	32.4	11.2	28 960	29.1	16.5	42.9
Oct	101 086	13.2	67 088	20.8	32.6	8.2	29 090	27.6	16.0	39.8
Nov	105 622	15.4	71 298	25.4	32.6	17.3	29 697	27.4	14.9	40.4
Dec	111 274	20.0	74 288	18.1	30.5	5.5	30 175	27.1	13.8	40.6
06 Jan	107 166	18.1	73 947	24.4	27.4	21.0	29 864	22.7	10.1	35.1
Feb	110 960	19.2	73 516	24.2	25.7	22.4	29 547	17.8	4.5	30.3
Mar	113 946	20.3	74 652	19.8	23.9	15.3	29 196	14.1	1.2	25.8
Apr	112 222	16.6	73 686	18.8	24.4	12.4	29 114	12.9	-3.6	28.3
May	114 623	18.9	74 754	21.8	19.1	25.4	28 628	8.6	-6.0	22.3
Jun	120 889	17.7	75 845	14.9	12.7	18.0	28 485	6.2	-6.1	18.1
Jul	120 069	15.4	77 534	23.3	21.1	26.2	29 187	5.8	-6.7	17.5
Aug	116 360	17.5	81 142	21.6	21.8	21.4	29 404	4.3	-8.0	15.7
Sep	123 907	22.6	82 233	20.8	24.3	16.5	29 233	0.9	-9.6	10.3
Oct	P 118 975	17.7	81 377	21.3	22.0	20.4	29 406	1.1	-9.5	10.4
Nov	P 121 881	15.4	83 241	16.8	22.0	10.1	29 674	-0.1	-7.0	5.7

#### NON-FINANCIAL CORPORATIONS Annual percentage change



Source: BE.

a. This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 6, which includes deposits in Spanish bank branches abroad.

b. Cash, current accounts, savings accounts and deposits redeemable at up to and including 3 months' notice.

c. Deposits redeemable at over 3 months' notice and time deposits.

d. The series includes the old categories of Money market funds and Fixed income mutual funds in euros.

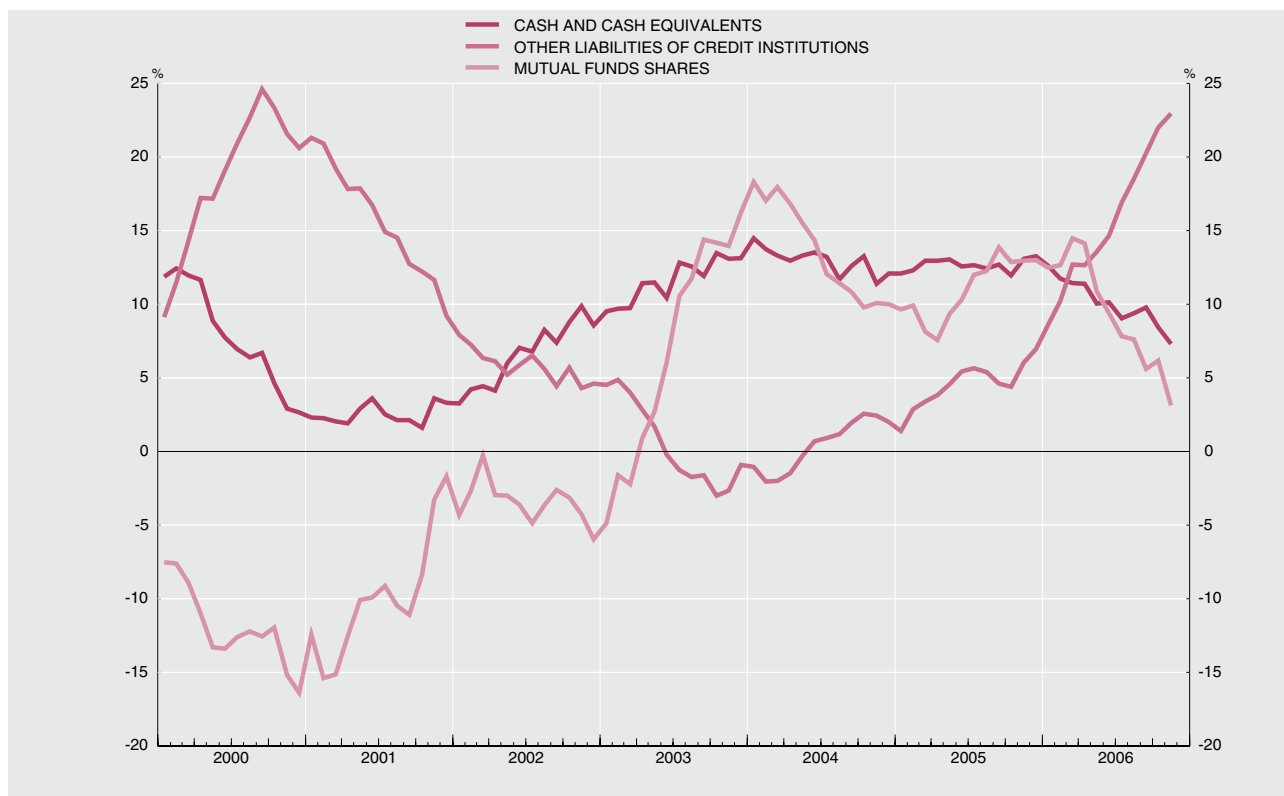
# 8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents				Other liabilities of credit institutions				Mutual funds shares			
	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
			Cash	Deposits (b)			Other deposits (c)	Repos + credit instit. securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
	1	2	3	4	5	6	7	8	9	10	11	12
03	275 505	13.1	20.7	11.3	214 720	-0.9	-1.4	1.9	153 452	16.2	16.6	15.8
04	308 805	12.1	20.6	9.8	219 053	2.0	6.1	-20.2	168 793	10.0	4.5	16.4
05	349 724	13.3	20.3	11.2	234 329	7.0	7.3	4.9	190 753	13.0	6.7	19.6
05 Aug	330 636	12.4	19.4	10.5	228 565	5.4	7.2	-6.3	185 218	12.2	10.0	14.7
Sep	335 786	12.7	20.6	10.5	226 737	4.6	6.9	-10.4	187 971	13.9	10.6	17.3
Oct	335 881	12.0	19.8	9.8	227 760	4.4	6.0	-6.6	187 281	12.9	9.7	16.2
Nov	341 047	13.1	20.5	11.0	231 215	6.0	6.7	1.3	189 422	13.0	8.2	18.1
Dec	349 724	13.3	20.3	11.2	234 329	7.0	7.3	4.9	190 753	13.0	6.7	19.6
06 Jan	344 688	12.6	19.4	10.6	239 681	8.6	7.9	13.7	191 800	12.5	2.4	23.1
Feb	345 770	11.8	19.1	9.6	245 037	10.2	8.7	21.6	195 255	12.7	-0.4	26.3
Mar	350 270	11.5	19.3	9.2	250 901	12.7	11.1	23.7	198 924	14.5	-1.3	30.6
Apr	351 980	11.4	18.4	9.3	252 305	12.6	10.9	25.1	199 181	14.1	-4.2	33.2
May	352 840	10.1	16.8	8.0	256 089	13.6	12.5	20.9	197 059	10.9	-4.6	26.9
Jun	366 605	10.1	16.3	8.3	261 064	14.7	14.2	18.1	197 152	9.4	-3.3	22.5
Jul	367 776	9.0	14.4	7.4	266 529	16.9	16.0	23.7	197 549	7.8	-5.4	21.4
Aug	361 747	9.4	14.0	8.0	270 905	18.5	17.0	29.8	199 321	7.6	-6.3	22.1
Sep	368 607	9.8	13.2	8.7	272 699	20.3	18.3	35.3	198 501	5.6	-7.4	18.7
Oct	364 241	8.4	11.6	7.5	277 881	22.0	20.2	35.8	198 824	6.2	-7.6	20.0
Nov	365 970	7.3	11.2	6.1	284 299	23.0	22.0	30.3	195 337	3.1	-10.3	16.1

## HOUSEHOLDS AND NPISH Annual percentage change



Source: BE.

a. This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 6, which includes deposits in Spanish bank branches abroad.

b. Current accounts, savings accounts and deposits redeemable at up to 3 months' notice.

c. Deposits redeemable at over 3 months' notice and time deposits.

d. The series includes the old categories of Money market funds and Fixed income mutual funds in euros.

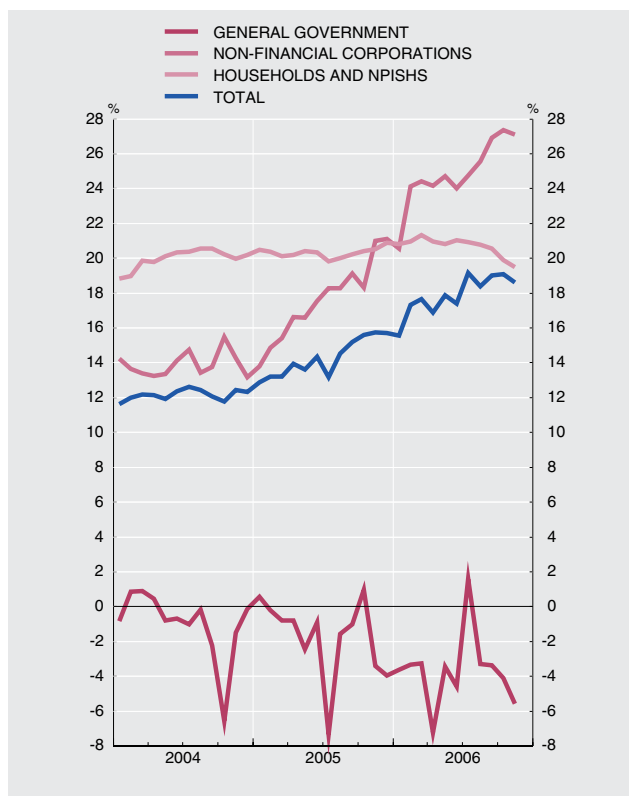
## 8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

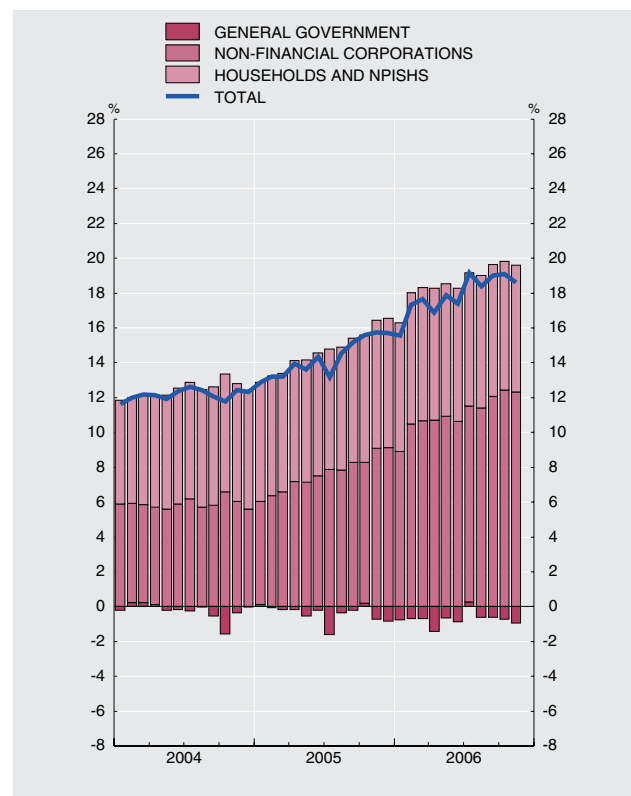
EUR millions and %

	Total			Annual growth rate							Contribution to col. 3						
	Stocks	Effective flow	Annual growth rate	General government (b)	Non-financial corp. and households and NPISHs						General government (b)	Non-financial corp. and households and NPISHs					
					By sectors			By instruments				By sectors			By instruments		
					Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans	Non-financial corporations		Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
03	1 342 446	141 234	11.8	0.6	15.9	13.5	19.1	16.4	-9.2	15.3	0.2	11.7	5.6	6.0	9.9	-0.1	1.8
04	1 512 931	165 654	12.3	-0.1	16.3	13.2	20.2	19.1	-1.2	3.4	-0.0	12.4	5.6	6.8	11.9	-0.0	0.4
05	1 759 691	237 755	15.7	-4.0	21.0	21.1	20.9	23.0	23.7	9.9	-0.8	16.6	9.1	7.4	15.2	0.2	1.2
05 Aug	1 658 847	15 332	14.5	-1.6	19.0	18.3	20.0	21.3	16.2	7.4	-0.3	14.9	7.9	7.0	13.8	0.1	0.9
Sep	1 678 365	20 170	15.2	-1.0	19.6	19.1	20.2	22.0	11.0	7.8	-0.2	15.4	8.3	7.1	14.4	0.1	1.0
Oct	1 687 375	10 071	15.6	1.0	19.3	18.3	20.4	21.9	13.6	5.8	0.2	15.4	8.1	7.3	14.6	0.1	0.7
Nov	1 723 030	33 784	15.7	-3.4	20.8	21.0	20.5	22.4	19.9	12.2	-0.7	16.5	9.1	7.4	14.8	0.1	1.5
Dec	1 759 691	33 671	15.7	-4.0	21.0	21.1	20.9	23.0	23.7	9.9	-0.8	16.6	9.1	7.4	15.2	0.2	1.2
06 Jan	1 779 120	19 134	15.5	-3.6	20.7	20.5	20.8	22.6	22.7	9.7	-0.8	16.3	8.9	7.4	15.0	0.2	1.2
Feb	1 816 414	37 321	17.3	-3.3	22.7	24.1	21.0	22.9	74.9	18.4	-0.7	18.0	10.5	7.5	15.3	0.6	2.2
Mar	1 849 840	33 184	17.6	-3.3	23.0	24.4	21.3	23.3	73.7	18.1	-0.7	18.3	10.7	7.7	15.6	0.6	2.2
Apr	1 852 019	2 876	16.9	-7.2	22.7	24.2	20.9	23.3	69.1	16.7	-1.4	18.3	10.7	7.6	15.7	0.5	2.0
May	1 884 514	32 351	17.9	-3.4	22.9	24.7	20.8	23.3	78.9	17.3	-0.7	18.5	10.9	7.6	15.9	0.6	2.1
Jun	1 930 460	44 841	17.4	-4.6	22.7	24.0	21.0	23.2	94.3	14.7	-0.9	18.3	10.6	7.6	15.8	0.8	1.7
Jul	1 963 350	32 393	19.2	1.6	23.0	24.7	20.9	23.5	112.1	14.5	0.3	18.9	11.2	7.7	16.2	0.9	1.8
Aug	1 968 170	5 524	18.4	-3.3	23.4	25.6	20.8	24.0	112.4	14.5	-0.6	19.0	11.4	7.6	16.4	0.9	1.8
Sep	1 999 115	33 921	19.0	-3.4	24.0	26.9	20.5	24.4	122.8	15.6	-0.6	19.6	12.1	7.5	16.8	0.9	1.9
Oct	P 2 012 169	13 185	19.1	-4.1	24.0	27.4	19.9	24.1	132.0	16.3	-0.7	19.8	12.4	7.4	16.9	1.0	1.9
Nov	P 2 044 645	32 552	18.6	-5.6	23.7	27.1	19.5	24.4	130.0	12.8	-1.0	19.6	12.3	7.3	17.0	1.0	1.6

FINANCING OF NON-FINANCIAL SECTORS  
Annual percentage change



FINANCING OF NON-FINANCIAL SECTORS  
Contributions to the annual percentage change



Source: BE.

GENERAL NOTE: Tables 8.2 to 8.7 were revised in September 2000, to take into account the criteria used to compile the Financial Accounts of the Spanish economy in accordance with ESA 95 (see the box appearing in the article "Evolución reciente de la economía española" in the September 2000 edition of the Boletín Económico).

a. The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.

b. Total liabilities (consolidated) less deposits. Inter-general government liabilities are deduced.

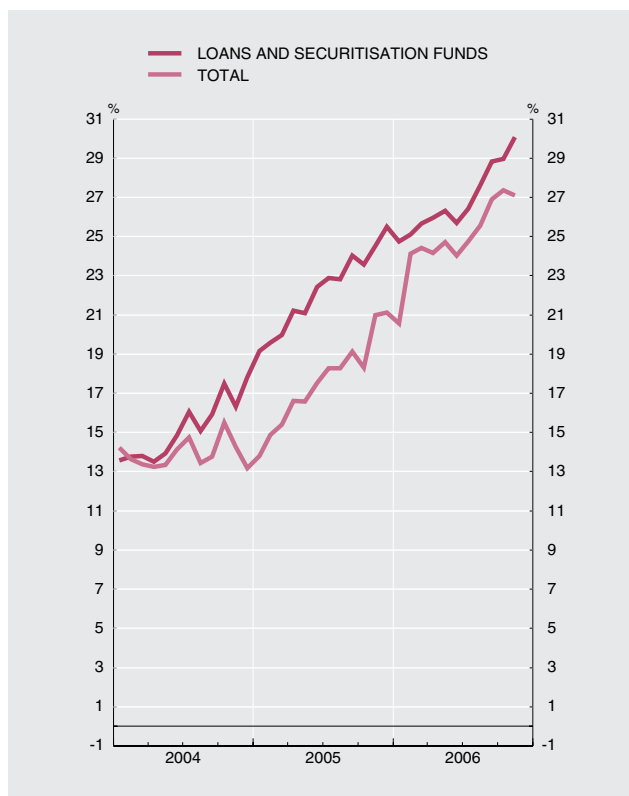
## 8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

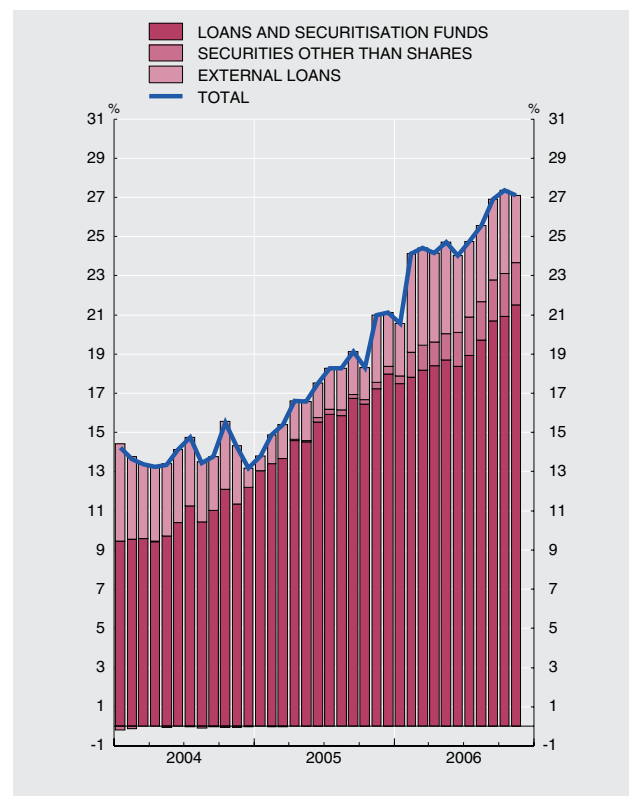
EUR millions and %

	Total			Resident credit institu- tions' loans and off-balance-sheet securitised loans			Securities other than shares (b)				External loans			Memoran- dum items: off- balance- sheet securi- tised loans
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	of which		Annual growth rate	Contri- bution to col.3	Stocks	Annual growth rate	Contri- bution to col.3	
							Stocks	Issues by resident financ. subsid.						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
03	572 606	67 287	13.5	391 916	13.6	9.4	10 807	-	-9.2	-0.2	169 884	15.3	4.3	13 647
04	653 315	75 390	13.2	461 109	17.8	12.2	10 678	-	-1.2	-0.0	181 528	3.3	1.0	15 538
05	800 607	137 905	21.1	578 229	25.5	18.0	13 207	2 634	23.7	0.4	209 171	9.8	2.7	5 581
05 Aug	740 770	-4 965	18.3	528 523	22.8	15.9	12 960	1 595	16.2	0.3	199 287	7.4	2.1	5 809
Sep	753 661	13 482	19.1	541 093	24.0	16.7	12 735	1 845	11.0	0.2	199 833	7.7	2.2	6 143
Oct	766 132	13 514	18.3	553 285	23.6	16.5	12 763	1 894	13.6	0.2	200 084	5.7	1.6	6 295
Nov	784 154	16 118	21.0	560 707	24.5	17.2	13 036	1 894	19.9	0.3	210 411	12.2	3.4	6 072
Dec	800 607	13 412	21.1	578 229	25.5	18.0	13 207	2 634	23.7	0.4	209 171	9.8	2.7	5 581
06 Jan	809 697	8 781	20.5	585 117	24.7	17.5	13 387	2 633	22.7	0.4	211 193	9.7	2.7	5 414
Feb	842 738	33 062	24.1	593 351	25.1	17.8	19 929	8 824	74.9	1.3	229 459	18.4	5.0	5 362
Mar	860 350	17 335	24.4	607 648	25.7	18.2	20 425	9 153	73.7	1.3	232 277	18.1	5.0	5 041
Apr	876 740	17 068	24.2	624 493	26.0	18.4	20 413	9 159	69.1	1.2	231 834	16.6	4.5	4 807
May	886 570	9 668	24.7	632 774	26.3	18.7	20 955	9 776	78.9	1.3	232 841	17.3	4.7	4 640
Jun	906 273	18 529	24.0	651 356	25.7	18.4	25 734	14 185	94.3	1.7	229 183	14.7	3.9	4 569
Jul	935 166	28 370	24.7	674 356	26.4	18.9	27 613	15 591	112.1	2.0	233 197	14.5	3.9	4 416
Aug	934 549	46	25.6	674 005	27.6	19.7	27 530	15 792	112.4	2.0	233 013	14.5	3.9	4 327
Sep	958 523	26 876	26.9	696 642	28.8	20.7	28 378	16 693	122.8	2.1	233 504	15.6	4.1	4 228
Oct	978 829	20 411	27.4	713 047	29.0	20.9	29 616	17 561	132.0	2.2	236 166	16.3	4.2	3 746
Nov	997 626	18 834	27.1	728 815	30.1	21.5	29 984	17 681	130.0	2.2	238 827	12.7	3.4	3 650

FINANCING OF NON-FINANCIAL CORPORATIONS  
Annual percentage change



FINANCING OF NON-FINANCIAL CORPORATIONS  
Contributions to the annual percentage change



Source: BE.

GENERAL NOTE: Tables 8.2 to 8.7 were revised in September 2000, to take into account the criteria used to compile the Financial Accounts of the Spanish economy in accordance with ESA 95 (see the box appearing in the article "Evolución reciente de la economía española" in the September 2000 edition of the Boletín Económico).

a. The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.

b. Includes issues of resident financial subsidiaries of non-financial corporations, insofar as the funds raised in these issues are routed to the parent company as loans. The issuing institutions of these financial instruments are classified as Other financial intermediaries in the Boletín Estadístico and in the Financial Accounts of the Spanish Economy.

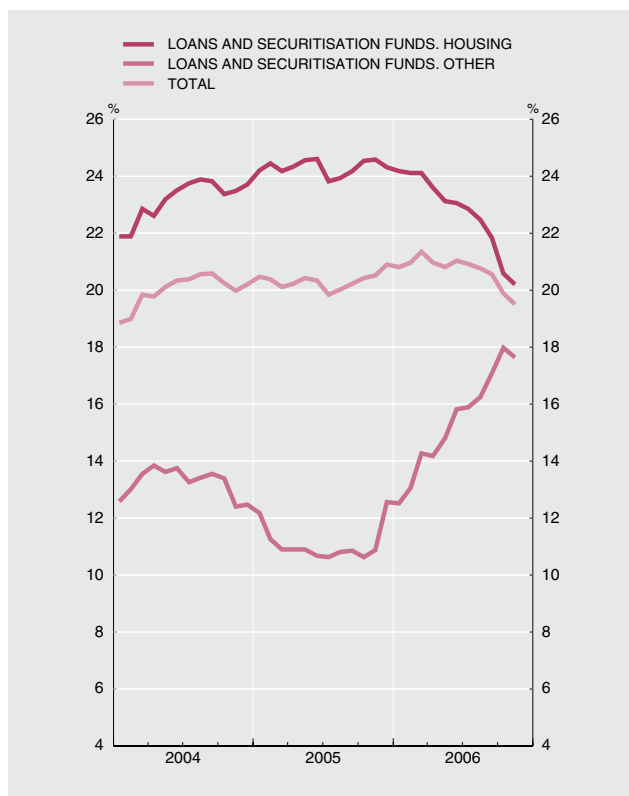
## 8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

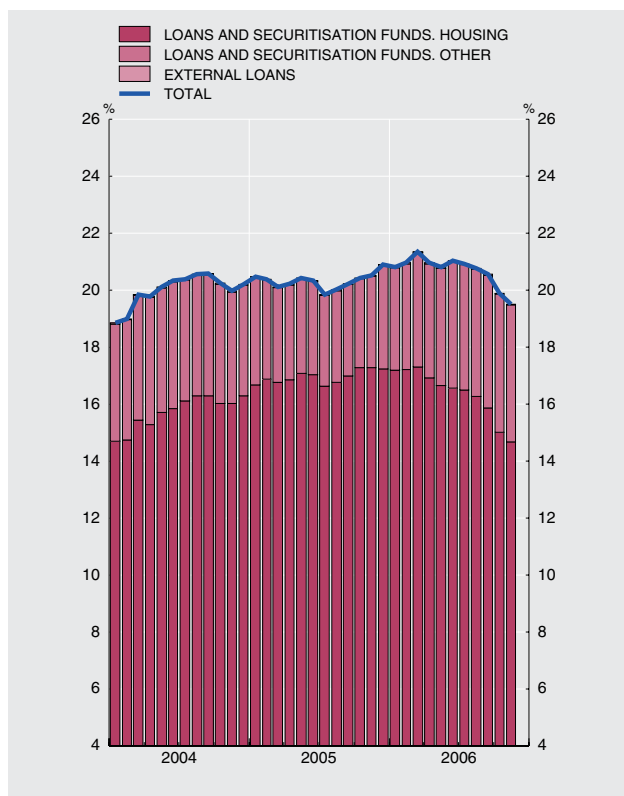
EUR millions and %

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans. Housing			Resident credit institutions' loans and off-balance-sheet securitised loans. Other			External loans			Memorandum items: off-balance-sheet securitised loans	
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Housing	Other
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
03	448 723	71 917	19.1	308 597	21.6	14.5	139 405	13.9	4.5	722	17.7	0.0	32 639	6 679
04	538 881	90 646	20.2	381 698	23.7	16.3	156 322	12.5	3.9	861	19.3	0.0	47 873	9 802
05	651 071	112 573	20.9	474 499	24.3	17.2	175 571	12.5	3.6	1 002	16.4	0.0	28 527	3 030
05 Aug	607 603	5 014	20.0	440 042	23.9	16.8	166 607	10.8	3.2	954	16.3	0.0	29 391	4 051
Sep	616 286	8 744	20.2	447 550	24.2	17.0	167 768	10.8	3.2	968	16.5	0.0	28 518	3 743
Oct	626 731	10 463	20.4	456 610	24.5	17.3	169 148	10.6	3.1	973	15.7	0.0	28 642	3 334
Nov	641 262	14 563	20.5	466 014	24.6	17.3	174 270	10.9	3.2	978	14.4	0.0	28 976	3 174
Dec	651 071	9 861	20.9	474 499	24.3	17.2	175 571	12.5	3.6	1 002	16.4	0.0	28 527	3 030
06 Jan	657 997	6 939	20.8	481 272	24.2	17.2	175 666	12.5	3.6	1 059	20.9	0.0	28 012	2 911
Feb	666 823	8 833	21.0	488 902	24.1	17.2	176 855	13.0	3.7	1 065	20.2	0.0	27 554	2 694
Mar	679 899	13 112	21.3	499 125	24.1	17.3	179 699	14.3	4.0	1 075	20.5	0.0	27 159	2 581
Apr	690 480	10 599	20.9	506 443	23.6	16.9	182 922	14.2	4.0	1 115	23.6	0.0	27 307	2 446
May	702 020	11 558	20.8	515 316	23.1	16.6	185 569	14.8	4.1	1 135	23.9	0.0	27 234	2 292
Jun	720 946	18 995	21.0	526 310	23.1	16.5	193 473	15.8	4.4	1 163	25.3	0.0	28 062	2 256
Jul	728 299	7 379	20.9	534 172	22.8	16.5	192 955	15.9	4.4	1 173	24.2	0.0	26 888	2 173
Aug	733 365	5 107	20.8	538 912	22.5	16.3	193 274	16.2	4.5	1 179	23.6	0.0	26 625	2 091
Sep	742 522	9 232	20.5	545 322	21.8	15.9	196 009	17.1	4.6	1 191	23.0	0.0	26 192	2 216
Oct	P 750 952	8 455	19.9	550 611	20.6	15.0	199 133	18.0	4.9	1 208	24.2	0.0	25 162	3 333
Nov	P 765 941	15 028	19.5	560 134	20.2	14.7	204 582	17.6	4.8	1 226	25.3	0.0	25 115	3 070

FINANCING OF HOUSEHOLDS AND NPISHS  
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHS  
Contributions to the annual percentage change



Source: BE.

GENERAL NOTE: Tables 8.2 to 8.7 were revised in September 2000, to take into account the criteria used to compile the Financial Accounts of the Spanish economy in accordance with ESA 95 (see the box appearing in the article "Evolución reciente de la economía española" in the September 2000 edition of the Boletín Económico).

a. The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.



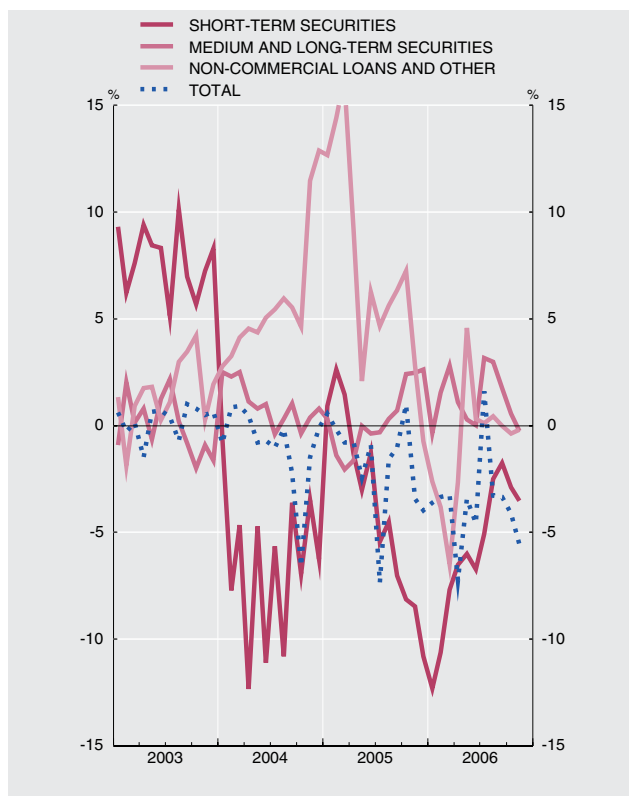
## 8.8. NET FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

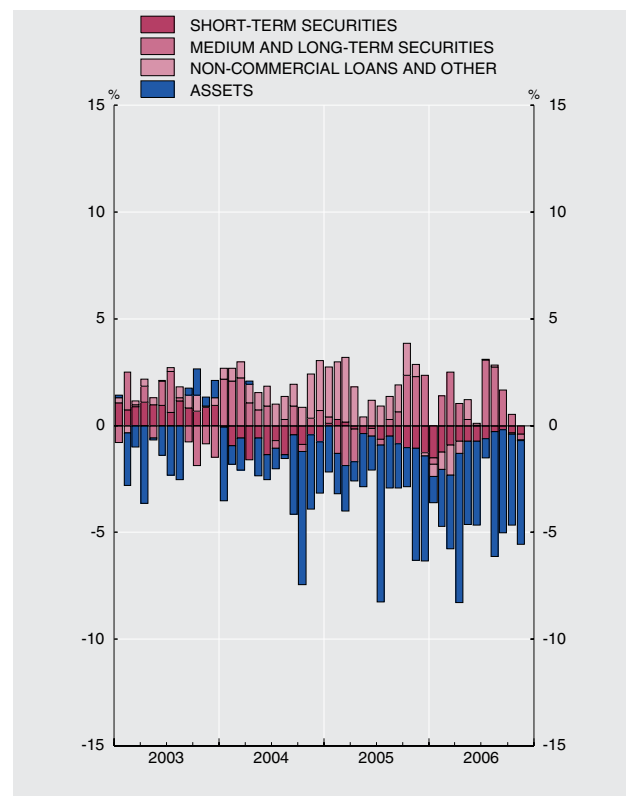
EUR millions and %

	Net financing			Monthly change in stocks						12-month % change in stocks				Contribution to 12-month % change in net stocks of liabilities				
				Liabilities (a)			Assets			Liabilities			Assets	Liabilities		Assets		
	Total	Securities		Non-commercial loans and other (b)	Deposits at the Banco de Espana	Other deposits (c)	Total	Securities		Non-commercial loans and other (a)	Securities			Non-commercial loans and other (a)				
		Short-term	Medium and long-term					Short-term	Medium and long-term		Short-term	Medium and long-term						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
02	319 087	-2 772	-0.9	5 963	74	5 698	190	1 785	6 950	1.6	0.2	2.0	0.3	15.2	0.0	1.8	0.1	-2.7
03	321 117	2 030	0.6	-567	3 047	-4 738	1 124	1 767	-4 363	-0.1	8.3	-1.6	1.9	-3.9	1.0	-1.5	0.4	0.8
04	320 735	-382	-0.1	7 309	-2 491	2 232	7 568	-1 817	9 509	1.9	-6.2	0.8	12.9	12.1	-0.8	0.7	2.4	-2.4
05	P 308 013	-12 722	-4.0	3 053	-4 042	7 580	-485	-695	16 470	0.8	-10.8	2.6	-0.7	22.2	-1.3	2.4	-0.2	-4.9
05 Jun	P 317 760	11 326	-0.9	3 097	-2 157	2 427	2 827	150	-8 379	0.6	-1.3	-0.4	6.2	7.2	-0.1	-0.3	1.2	-1.6
Jul	P 295 191	-22 569	-7.3	-6 953	1 338	-8 302	11	-3 422	19 037	-0.0	-5.5	-0.3	4.7	33.8	-0.7	-0.3	0.9	-7.3
Aug	P 310 474	15 283	-1.6	-2 641	-2 350	-69	-221	-220	17 704	0.7	-4.5	0.3	5.6	11.5	-0.5	0.3	1.1	-2.4
Sep	P 308 418	-2 057	-1.0	7 021	1 756	5 105	160	117	8 960	0.8	-7.0	0.7	6.3	8.3	-0.9	0.7	1.2	-2.1
Oct	P 294 512	-13 906	1.0	-2 450	-1 796	-824	169	-529	11 985	2.2	-8.1	2.4	7.3	6.0	-1.0	2.3	1.5	-1.8
Nov	P 297 615	3 103	-3.4	6 007	1 839	4 168	-1	-102	3 006	1.4	-8.5	2.5	2.8	19.7	-1.1	2.3	0.6	-5.2
Dec	P 308 013	10 398	-4.0	-517	-2 097	650	930	-342	10 573	0.8	-10.8	2.6	-0.7	22.2	-1.3	2.4	-0.2	-4.9
06 Jan	P 311 426	3 413	-3.6	-5 090	1 742	-6 206	-625	86	-8 589	-1.9	-12.3	-0.3	-2.6	5.4	-1.5	-0.3	-0.5	-1.3
Feb	P 306 853	-4 573	-3.3	1 277	-2 063	3 368	-29	277	5 572	-0.5	-10.6	1.5	-3.8	11.2	-1.2	1.4	-0.8	-2.7
Mar	P 309 590	2 737	-3.3	4 340	2 204	2 296	-159	172	1 430	0.1	-7.7	2.8	-6.5	14.7	-0.9	2.5	-1.4	-3.4
Apr	A 284 800	-24 790	-7.2	-5 163	-2 665	-2 226	-271	10 249	9 378	-0.2	-6.5	1.1	-2.6	25.4	-0.7	1.0	-0.6	-7.0
May	A 295 924	11 124	-3.4	2 560	2 038	480	42	-3 084	-5 480	0.4	-6.0	0.3	4.6	14.1	-0.7	0.3	0.9	-3.9
Jun	A 303 241	7 317	-4.6	-434	-2 278	1 643	202	-314	-7 437	-0.5	-6.7	0.0	0.3	16.3	-0.7	0.0	0.1	-3.9
Jul	A 299 885	-3 356	1.6	2 428	1 846	703	-121	-5 223	11 007	1.9	-5.1	3.2	0.1	2.9	-0.6	3.1	0.0	-0.9
Aug	A 300 256	372	-3.3	-1 986	-1 368	-596	-22	-121	-2 237	2.1	-2.5	3.0	0.4	24.5	-0.3	2.8	0.1	-5.9
Sep	A 298 070	-2 186	-3.4	3 510	1 974	1 656	-121	-101	5 797	1.1	-1.8	1.8	-0.0	17.8	-0.2	1.7	-0.0	-4.8
Oct	A 282 389	-15 681	-4.1	-6 579	-2 149	-4 363	-67	97	9 005	0.1	-2.9	0.5	-0.4	13.1	-0.3	0.5	-0.1	-4.2
Nov	A 281 078	-1 311	-5.6	3 559	1 569	1 870	120	-190	5 060	-0.5	-3.5	-0.2	-0.2	14.8	-0.4	-0.2	-0.0	-4.9

NET FINANCING OF GENERAL GOVERNMENT  
Annual percentage changes



NET FINANCING OF GENERAL GOVERNMENT  
Contributions to the annual percentage change



Source: BE.

a. Consolidated: deducted securities and loans held by other General Government units.

b. Including coined money and Caja General de Depósitos.

c. Tax collection accounts are not included.

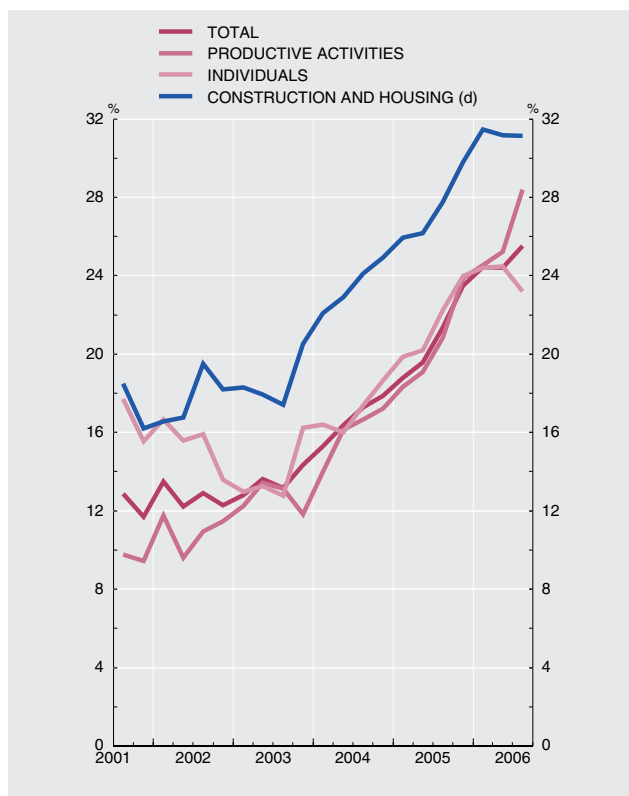
## 8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

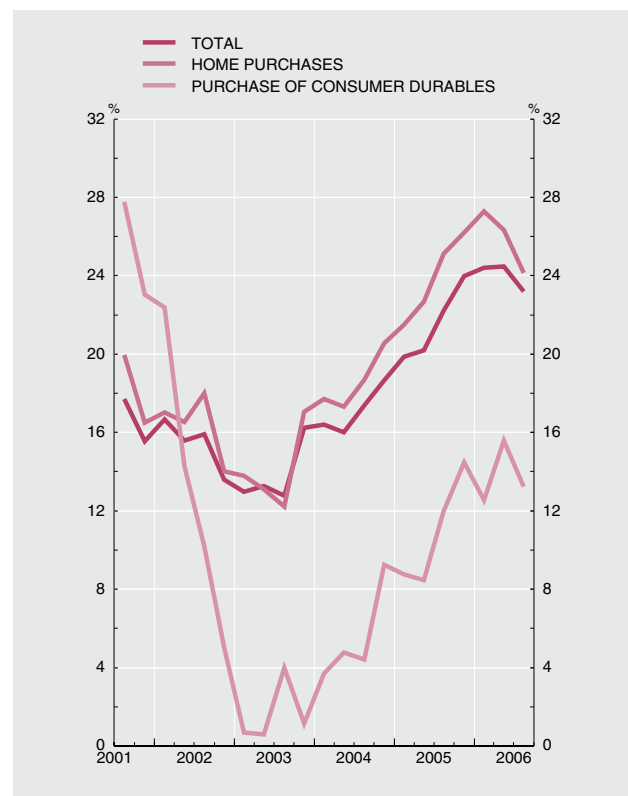
EUR millions and percentages

	Financing of productive activities							Financing of individuals				Financing of private non-profit institutions	Unclassified	Memo-randum item: construction and housing (d)	
	Total (a)	Total	Agriculture and fisheries	Industry excluding construction	Construction	Services		Total	Home purchases and improvements	Purchases of consumer durables	Other (b)				
						Total	Of which								
															Real estate activities
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
03	802 212	411 986	16 402	85 829	65 784	243 972	79 792	372 013	275 958	263 192	35 136	60 919	3 002	15 212	421 534
04	945 697	482 984	18 104	90 487	78 372	296 020	114 410	441 443	333 826	317 268	38 379	69 238	3 677	17 594	526 608
05	R1 202 628	604 061	20 738	104 695	100 761	377 867	166 334	576 253	445 972	424 238	45 928	84 354	4 666	17 648	713 067
02 Q2	664 446	343 191	13 980	81 235	50 770	197 207	48 576	308 555	225 521	216 080	35 466	47 568	2 287	10 413	324 867
Q3	680 806	351 950	14 281	82 834	53 777	201 057	51 298	316 697	234 668	224 849	35 072	46 957	2 339	9 820	339 744
Q4	701 663	368 466	15 122	85 762	57 376	210 206	57 295	320 053	235 086	224 830	34 741	50 227	2 324	10 819	349 757
03 Q1	722 204	375 901	15 138	86 559	56 975	217 229	62 226	331 747	244 498	233 729	34 910	52 339	2 285	12 271	363 698
Q2	754 872	389 249	15 712	87 015	59 431	227 091	67 740	349 500	256 010	244 414	35 676	57 814	2 512	13 608	383 181
Q3	770 523	398 206	16 462	87 240	61 902	232 601	72 545	357 146	264 453	252 316	36 468	56 225	2 651	12 520	398 900
Q4	802 212	411 986	16 402	85 829	65 784	243 972	79 792	372 013	275 958	263 192	35 136	60 919	3 002	15 212	421 534
04 Q1	832 734	428 517	16 973	85 326	68 171	258 047	87 073	386 179	288 736	275 107	36 201	61 242	3 108	14 930	443 980
Q2	878 477	452 030	17 102	86 636	72 362	275 930	97 040	405 486	301 537	286 744	37 374	66 575	3 183	17 777	470 939
Q3	903 590	464 578	17 655	88 360	75 494	283 069	104 592	419 230	315 021	299 447	38 075	66 134	3 426	16 355	495 107
Q4	945 697	482 984	18 104	90 487	78 372	296 020	114 410	441 443	333 826	317 268	38 379	69 238	3 677	17 594	526 608
05 Q1	989 196	507 089	18 188	93 815	83 421	311 665	123 982	462 910	351 757	334 224	39 375	71 778	3 548	15 649	559 160
Q2	R1 085 320	544 048	19 501	99 393	89 806	335 349	139 010	516 384	394 989	375 523	42 531	78 864	4 200	20 687	623 805
Q3	1 131 240	567 022	20 182	101 716	94 411	350 714	148 623	541 346	419 032	398 498	44 644	77 670	4 355	18 518	662 066
Q4	1 202 628	604 061	20 738	104 695	100 761	377 867	166 334	576 253	445 972	424 238	45 928	84 354	4 666	17 648	713 067
06 Q1	1 265 755	637 277	21 213	105 687	106 183	404 195	186 475	604 878	471 966	449 246	46 320	86 592	4 788	18 813	764 623
Q2	1 350 191	681 307	21 946	109 856	116 195	433 311	203 879	642 698	498 248	474 404	49 161	95 289	5 109	21 077	818 322
Q3	1 419 973	728 058	22 460	115 266	127 420	462 911	221 593	666 972	519 130	494 739	50 552	97 291	5 359	19 584	868 144

**CREDIT BY END-USE**  
Annual percentage changes (c)



**CREDIT TO INDIVIDUALS BY END-USE**  
Annual percentage changes (c)



SOURCE: BE.

a. Series obtained from information in the accounting statement established for the supervision of resident institutions. See the changes introduced in the October 2001 edition of the Boletín estadístico and Tables 4.13, 4.18 and 4.23 of the Boletín estadístico, which are published at [www.bde.es](http://www.bde.es).

b. Includes loans and credit to households for the purchase of land and rural property, the purchase of securities, the purchase of current goods and services not considered to be consumer durables (e.g. loans to finance travel expenses) and for various end-uses not included in the foregoing.

c. Asset-backed securities brought back onto the balance sheet as a result of the entry into force of Banco de España Circular BE 4/2004 have caused a break in the series in June 2005. The rates depicted in the chart have been adjusted to eliminate this effect.

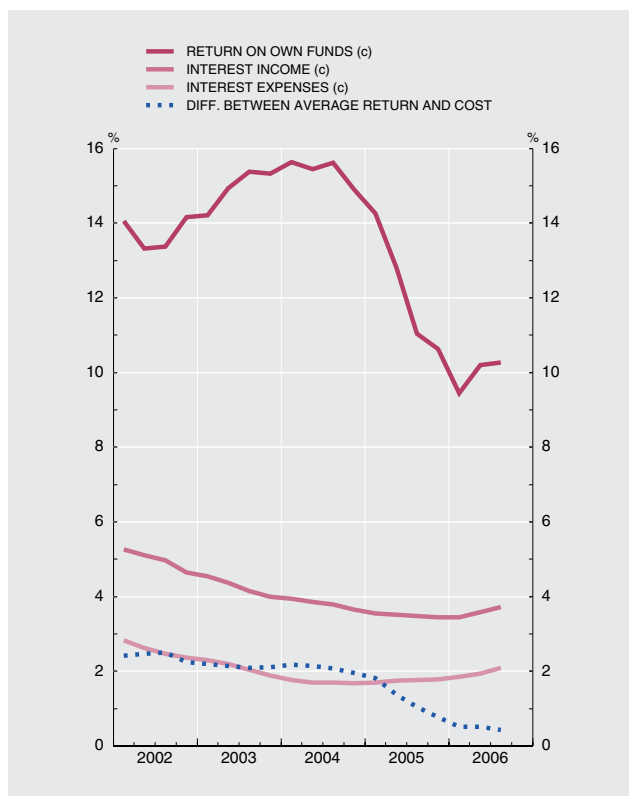
d. Including: construction, real estate activities and home purchases and improvements

## 8.10. PROFIT AND LOSS ACCOUNT OF BANKS, SAVINGS BANKS AND CREDIT CO-OPERATIVES RESIDENT IN SPAIN

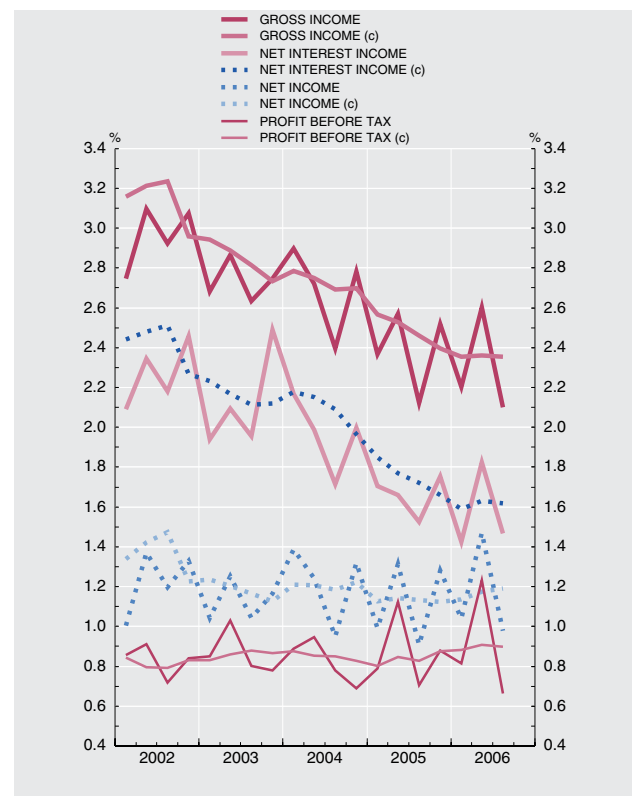
■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet										Percentages			
	Interest income	Interest expenses	Net interest income	Non interest income and expenses	Gross income	Operating expenses	Of which: Staff costs	Net income	Provisions and other income and expenses	Profit before tax	Return on own funds (a)	Average return on lending operations (b)	Average cost of borrowing operations (b)	Difference (12-13)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>03</b>		4.2	1.8	2.5	0.3	2.7	1.6	0.9	1.2	-1.0	0.8	14.5	4.3	2.2
<b>04</b>		3.7	1.7	2.0	0.8	2.8	1.5	0.9	1.3	-1.6	0.7	11.6	3.9	1.9
<b>05</b>	R	3.6	1.8	1.8	0.8	2.5	1.2	0.8	1.3	-0.8	0.9	10.0	2.8	2.0
<b>03 Q3</b>		3.7	1.7	2.0	0.7	2.6	1.6	0.9	1.0	-0.2	0.8	14.1	4.4	2.3
<b>Q4</b>		4.2	1.8	2.5	0.3	2.7	1.6	0.9	1.2	-0.4	0.8	14.5	4.3	2.2
<b>04 Q1</b>		3.8	1.7	2.2	0.7	2.9	1.5	0.9	1.4	-0.5	0.9	16.0	4.2	2.0
<b>Q2</b>		3.7	1.7	2.0	0.7	2.7	1.5	0.9	1.2	-0.3	0.9	17.2	4.1	1.9
<b>Q3</b>		3.4	1.7	1.7	0.7	2.4	1.4	0.9	1.0	-0.2	0.8	14.8	4.0	1.9
<b>Q4</b>		3.7	1.7	2.0	0.8	2.8	1.5	0.9	1.3	-0.6	0.7	11.6	3.9	1.9
<b>05 Q1</b>	R	3.4	1.7	1.7	0.7	2.4	1.4	0.8	1.0	-0.2	0.8	13.5	3.8	1.9
<b>Q2</b>		3.5	1.8	1.7	0.9	2.6	1.3	0.8	1.3	-0.2	1.1	11.4	3.3	2.0
<b>Q3</b>		3.3	1.8	1.5	0.6	2.1	1.2	0.8	0.9	-0.2	0.7	7.7	3.0	2.0
<b>Q4</b>		3.6	1.8	1.8	0.8	2.5	1.2	0.8	1.3	-0.2	0.9	10.0	2.8	2.0
<b>06 Q1</b>		3.4	2.0	1.4	0.8	2.2	1.2	0.7	1.0	-0.2	0.8	8.7	2.6	2.1
<b>Q2</b>		4.0	2.2	1.8	0.8	2.6	1.1	0.7	1.5	-0.2	1.2	14.4	2.7	2.2
<b>Q3</b>		3.9	2.4	1.5	0.6	2.1	1.1	0.7	1.0	-0.3	0.7	8.0	2.8	2.3

**PROFIT AND LOSS ACCOUNT**  
Percentages of the adjusted average balance sheet and returns



**PROFIT AND LOSS ACCOUNT**  
Percentages of the adjusted average balance sheet



Source: BE.

Note: The underlying series for this indicator are in Table 4.36 of the BE Boletín estadístico.

a. Profit before tax divided by own funds (capital, reserves, and general risk fund less losses from previous financial years and intangible assets).

b. Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the average return and cost.

c. Average of the last four quarters.

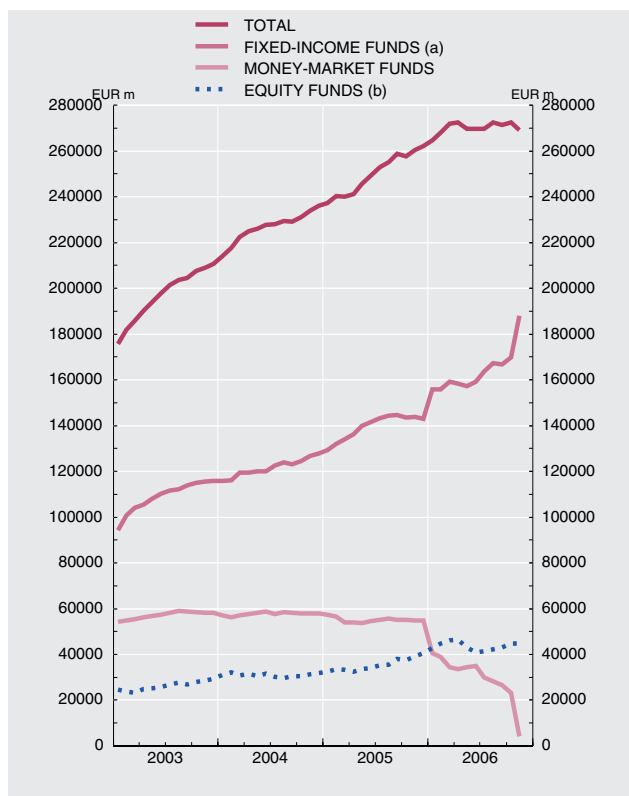
## 8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

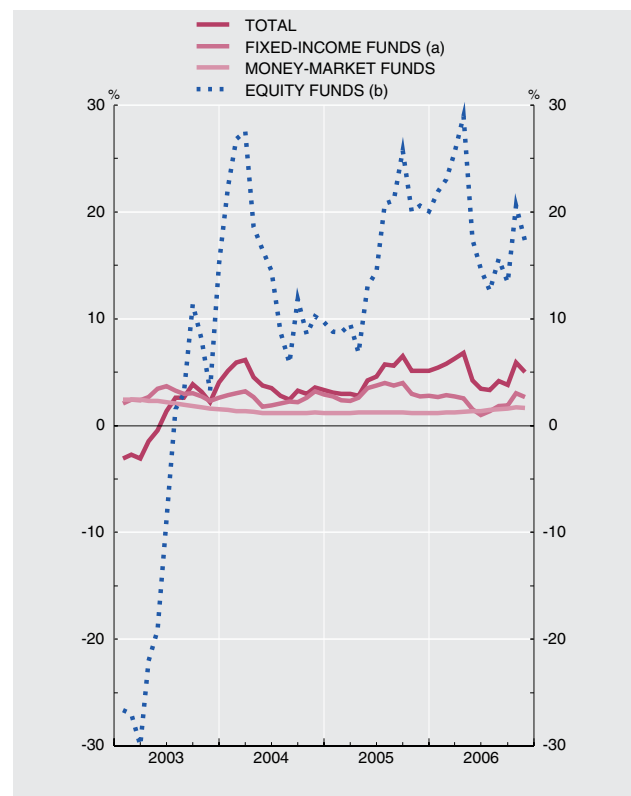
EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
03	210 627	35 894	28 077	4.0	58 054	4 688	3 830	1.5	115 819	23 077	20 129	2.6	29 401	3 334	-202	15.1	7 353
04	236 088	25 461	18 250	3.3	57 989	-66	-744	1.2	127 735	11 917	10 445	2.9	32 023	2 622	480	9.7	18 341
05	262 201	26 113	14 270	5.1	54 751	-3 237	-3 881	1.2	143 047	15 312	12 061	2.8	40 672	8 649	2 303	20.0	23 730
05 Aug	255 127	2 201	2 256	5.6	55 571	588	531	1.2	144 425	1 083	1 008	3.7	35 532	191	358	21.1	19 599
Sep	258 684	3 557	823	6.5	55 015	-556	-607	1.2	144 713	288	125	4.0	38 163	2 631	749	25.7	20 793
Oct	257 516	-1 168	774	5.1	55 136	121	75	1.2	143 442	-1 271	-348	3.0	37 353	-810	169	20.0	21 585
Nov	260 502	2 986	1 188	5.1	54 861	-275	-318	1.2	143 658	216	-208	2.7	39 218	1 865	860	20.6	22 766
Dec	262 201	1 698	-1	5.1	54 751	-110	-171	1.2	143 047	-611	-1 167	2.8	40 672	1 454	538	20.0	23 730
06 Jan	264 634	2 433	1 900	5.4	40 547	-14 204	-14 252	1.2	155 770	12 723	13 794	2.6	42 740	2 067	687	21.9	25 577
Feb	267 936	3 302	1 256	5.8	38 864	-1 683	-1 728	1.2	155 851	81	-568	2.9	44 789	2 049	822	23.0	28 432
Mar	271 765	3 829	-1 774	6.2	34 355	-4 509	-4 549	1.2	159 303	3 452	-1 424	2.7	46 155	1 366	925	25.6	31 952
Apr	272 560	795	197	6.8	33 513	-842	-890	1.3	158 228	-1 075	-1 505	2.6	46 507	352	274	29.0	34 312
May	269 710	-2 850	307	4.2	34 423	910	869	1.3	157 089	-1 139	-492	1.5	42 938	-3 570	-1 602	17.4	35 261
Jun	269 778	68	-360	3.5	34 899	476	427	1.4	159 209	2 120	1 945	1.0	40 727	-2 211	-2 223	14.6	34 943
Jul	269 647	-131	-1 722	3.3	30 010	-4 889	-4 939	1.4	163 570	4 362	3 662	1.3	41 501	774	99	12.6	34 566
Aug	272 323	2 676	-1 173	4.2	28 196	-1 814	-1 863	1.5	167 363	3 792	972	1.8	42 273	772	-118	15.6	34 491
Sep	271 361	-962	-3 298	3.8	26 628	-1 568	-1 616	1.6	166 752	-611	-169	1.9	43 016	743	-520	13.4	34 966
Oct	272 448	1 087	-1 801	5.9	23 336	-3 291	-3 337	1.7	169 680	2 928	2 016	3.0	44 690	1 673	124	20.6	34 742
Nov	P 269 091	-3 357	...	5.0	4 241	-19 095	...	1.6	188 012	18 332	...	2.7	44 782	92	...	17.3	32 056

### NET ASSET VALUE



### RETURN OVER LAST 12 MONTHS



SOURCES: CNMV and Inverco.

a. Includes short and long-term fixed-income funds in euros and international, mixed fixed-income funds in euros and international and guaranteed funds.

b. Includes equity funds and mixed equity funds in euros, national and international.

c. Global funds.

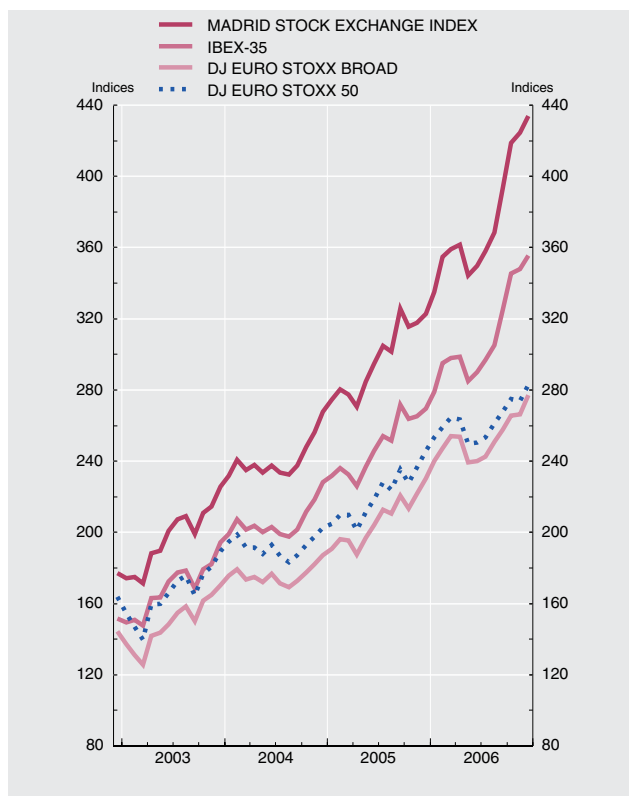
## 8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

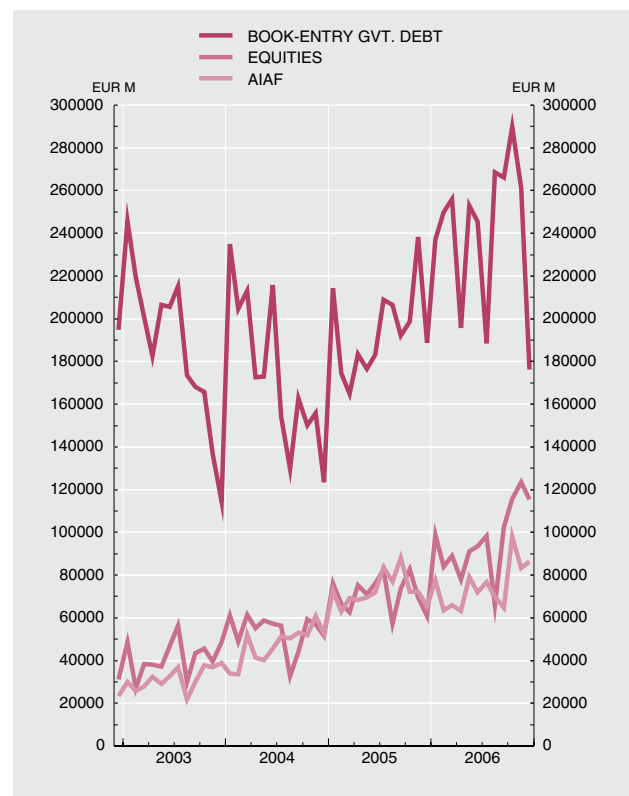
Indices, EUR millions and thousands of contracts

	Share price indices				Turnover on securities markets								
	General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)		
			Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities	
			1	2	3	4			5	6	7	8	9
04	863.25	8 195.58	251.25	2 800.48	643 542	82 790	2 090 447	566 600	-	8 495	0	4 473	
05	1 066.43	9 903.47	295.18	3 222.05	853 971	93 191	2 330 021	872 299	-	11 356	-	5 050	
06	P 1 344.36	12 346.51	361.00	3 830.10	1 155 682	93 449	2 888 101	900 202	-	11 909	-	6 569	
05 Sep	1 166.48	10 813.90	314.81	3 428.51	73 796	7 603	192 091	88 115	...	1 914	...	433	
Oct	1 130.60	10 493.80	304.53	3 320.15	82 639	6 764	198 843	72 176	...	935	...	463	
Nov	1 138.53	10 557.80	316.42	3 447.07	69 451	9 853	238 405	72 176	...	972	...	441	
Dec	1 156.21	10 733.90	328.92	3 578.93	60 709	8 885	188 813	65 300	...	1 313	...	408	
06 Jan	1 199.80	11 104.30	342.50	3 691.41	98 821	6 993	237 197	77 566	...	1 223	...	475	
Feb	1 271.16	11 740.70	352.80	3 774.51	84 021	7 818	250 052	63 474	...	917	...	466	
Mar	1 287.25	11 854.30	362.83	3 853.74	89 034	9 233	256 046	66 038	...	1 694	...	521	
Apr	1 295.56	11 892.50	362.34	3 839.90	77 956	6 631	195 661	63 194	...	1 048	...	477	
May	1 233.86	11 340.50	341.54	3 637.17	91 045	8 961	252 818	79 070	...	1 057	...	663	
Jun	1 252.61	11 548.10	342.65	3 648.92	93 550	8 216	245 355	72 002	...	1 174	...	586	
Jul	1 283.05	11 818.00	346.10	3 691.87	98 318	10 674	188 658	76 778	...	704	...	497	
Aug	1 319.76	12 144.70	357.92	3 808.70	65 891	7 157	268 624	69 876	...	556	...	488	
Sep	1 409.08	12 934.70	367.92	3 899.41	102 479	6 814	266 185	64 676	...	898	...	595	
Oct	1 500.12	13 753.00	379.26	4 004.80	115 556	8 785	289 772	97 968	...	1 359	...	609	
Nov	1 521.28	13 849.30	379.98	3 987.23	123 561	6 551	261 362	83 252	...	1 092	...	632	
Dec	P 1 554.93	14 146.50	395.63	4 119.94	115 451	5 616	176 370	86 306	...	187	...	561	

SHARE PRICE INDICES  
JAN 1994 = 100



TURNOVER ON SECURITIES MARKETS



Sources: Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (columns 1, 2, 5 and 6); Reuters (columns 3 and 4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

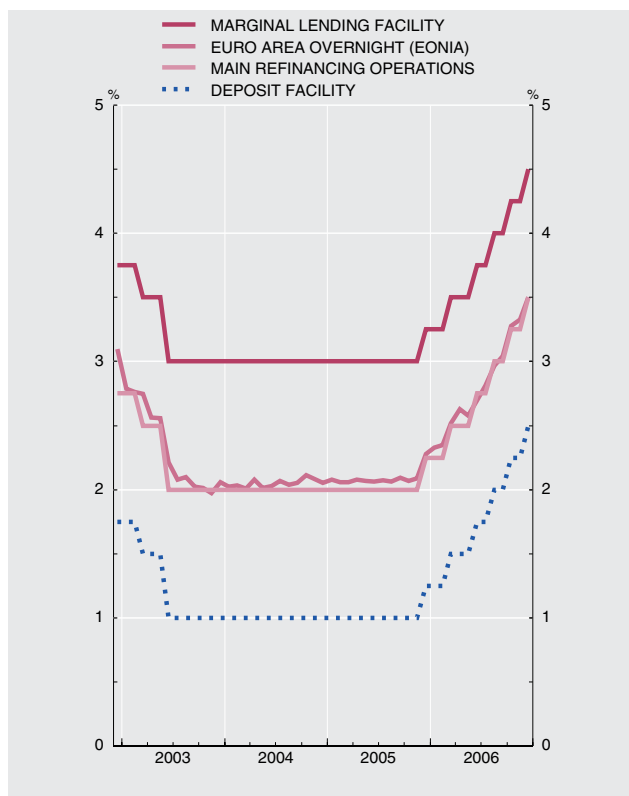
## 9.1. INTEREST RATES. EUROSISTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

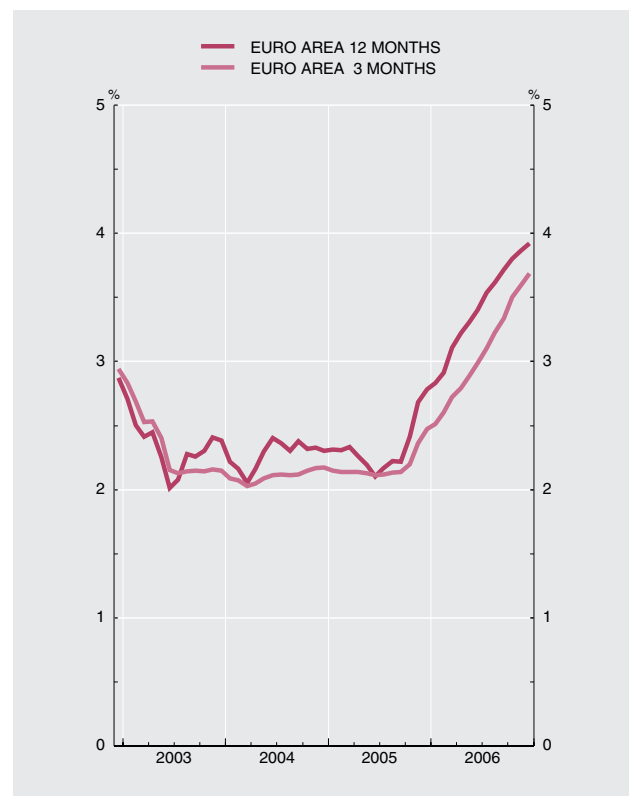
Averages of daily data. Percentages per annum

	Eurosistem monetary policy operations					Money market											
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities		Euro area: deposits (Euribor) (a)					Spain							
			Marginal lending	Deposit	Over-night (EONIA)	1-month	3-month	6-month	1-year	Non-transferable deposits				Government-securities repos			
										Over-night	1-month	3-month	1-year	Over-night	1-month	3-month	1-year
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
04	2.00	2.12	3.00	1.00	2.05	2.08	2.11	2.15	2.27	2.04	2.06	2.10	2.29	1.99	1.99	1.99	2.14
05	2.25	2.45	3.25	1.25	2.09	2.14	2.19	2.24	2.33	2.09	2.13	2.18	2.34	2.04	2.05	2.07	2.23
06	3.50	3.66	4.50	2.50	2.84	2.94	3.08	3.24	3.44	2.83	2.93	3.08	3.44	2.75	2.82	2.93	3.28
05 Sep	2.00	2.09	3.00	1.00	2.09	2.12	2.14	2.17	2.22	2.09	2.09	2.13	2.25	2.09	2.04	2.04	2.13
Oct	2.00	2.17	3.00	1.00	2.07	2.12	2.20	2.27	2.41	2.07	2.11	2.19	2.44	2.02	2.04	2.08	-
Nov	2.00	-	3.00	1.00	2.09	2.22	2.36	2.50	2.68	2.09	2.21	2.36	2.68	1.95	2.11	2.23	2.62
Dec	2.25	2.45	3.25	1.25	2.28	2.41	2.47	2.60	2.78	2.28	2.40	2.47	2.78	2.22	2.28	2.32	2.69
06 Jan	2.25	2.47	3.25	1.25	2.33	2.39	2.51	2.65	2.83	2.32	2.37	2.50	2.84	2.27	2.27	2.40	2.73
Feb	2.25	2.57	3.25	1.25	2.35	2.46	2.60	2.73	2.91	2.34	2.44	2.60	2.92	2.25	2.36	2.47	2.78
Mar	2.50	2.73	3.50	1.50	2.52	2.63	2.72	2.87	3.11	2.52	2.61	2.72	3.12	2.46	2.51	2.60	2.96
Apr	2.50	2.76	3.50	1.50	2.63	2.65	2.79	2.96	3.22	2.62	2.63	2.78	3.24	2.55	2.53	2.63	3.14
May	2.50	-	3.50	1.50	2.58	2.69	2.89	3.06	3.31	2.58	2.67	2.88	3.32	2.44	2.55	2.75	3.17
Jun	2.75	3.00	3.75	1.75	2.70	2.87	2.99	3.16	3.40	2.69	2.85	2.98	3.43	2.61	2.76	2.84	-
Jul	2.75	3.08	3.75	1.75	2.81	2.94	3.10	3.29	3.54	2.81	2.92	3.09	3.53	2.74	2.82	2.95	-
Aug	3.00	3.20	4.00	2.00	2.97	3.09	3.23	3.41	3.62	2.96	3.08	3.22	3.61	2.85	2.99	3.07	-
Sep	3.00	3.30	4.00	2.00	3.04	3.16	3.34	3.53	3.72	3.03	3.14	3.33	3.70	2.96	3.03	3.18	3.55
Oct	3.25	3.48	4.25	2.25	3.28	3.35	3.50	3.65	3.80	3.26	3.34	3.51	3.79	3.18	3.23	3.34	3.66
Nov	3.25	3.58	4.25	2.25	3.33	3.42	3.60	3.73	3.86	3.32	3.41	3.59	3.85	3.25	3.31	3.43	3.69
Dec	3.50	3.66	4.50	2.50	3.50	3.64	3.68	3.79	3.92	3.48	3.63	3.69	3.92	3.34	3.49	3.52	3.80

EUROSISTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



INTERBANK MARKET: EURO AREA 3-MONTH AND 1-YEAR RATES



Source: ECB (columns 1 to 8).

a. To December 1998, synthetic euro area rates have been calculated on the basis of national rates weighted by GDP

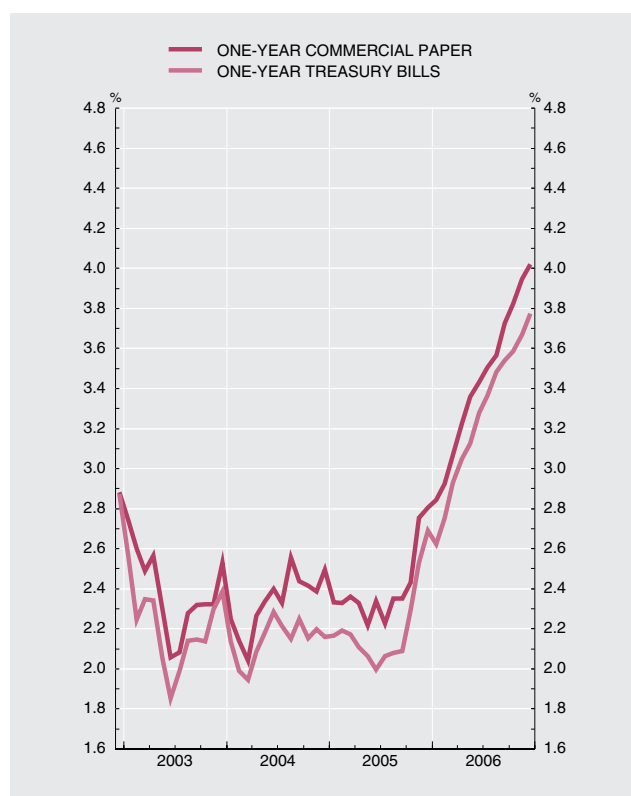
## 9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart.

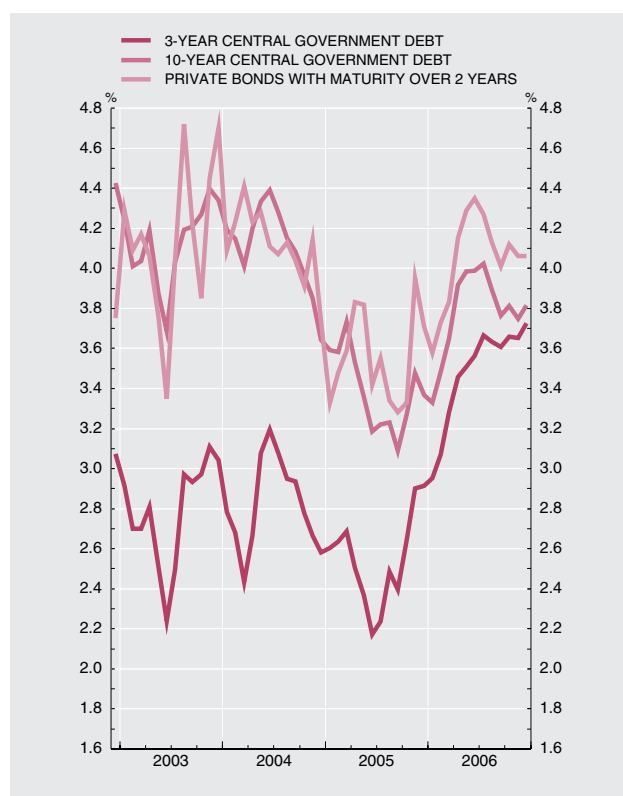
Percentages per annum

	Short-term securities				Long-term securities								Private bonds with a maturity of over two years traded on the AIAF
	One-year Treasury bills		One-year commercial paper		Central Government debt								
	Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market. Book-entry debt. Outright spot purchases between market members			
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years		
	1	2	3	4	5	6	7	8	9	10	11	12	
04	2.15	2.17	2.34	2.25	2.79	3.22	4.02	4.27	4.73	2.82	4.10	4.11	
05	2.20	2.19	2.40	2.36	2.38	2.89	3.44	3.70	3.84	2.55	3.39	3.55	
06	3.27	3.26	3.46	3.44	3.36	3.57	3.76	-	4.04	3.48	3.79	4.05	
05 Sep	2.09	2.05	2.35	2.27	2.18	-	3.17	-	-	2.40	3.09	3.28	
Oct	2.29	2.30	2.43	2.44	-	-	-	-	3.77	2.65	3.27	3.33	
Nov	2.53	2.42	2.75	2.66	2.62	-	3.48	-	-	2.90	3.48	3.95	
Dec	2.69	2.63	2.81	2.84	-	3.03	-	-	-	2.91	3.37	3.71	
06 Jan	2.62	2.66	2.85	2.87	2.93	-	3.31	-	-	2.95	3.33	3.58	
Feb	2.75	2.77	2.92	2.93	3.09	-	-	-	3.81	3.07	3.48	3.73	
Mar	2.93	2.87	3.07	3.07	-	3.27	3.70	-	-	3.28	3.65	3.83	
Apr	3.05	3.06	3.23	3.20	3.43	-	-	-	4.27	3.46	3.92	4.15	
May	3.12	3.28	3.36	3.28	-	-	4.05	-	-	3.51	3.99	4.29	
Jun	3.28	3.25	3.43	3.33	-	3.69	-	-	-	3.56	3.99	4.35	
Jul	3.37	3.34	3.50	3.55	3.68	-	3.99	-	-	3.66	4.02	4.27	
Aug	3.48	3.43	3.57	3.59	-	-	-	-	-	3.63	3.89	4.13	
Sep	3.54	3.43	3.73	3.76	-	3.68	-	-	4.03	3.61	3.76	4.01	
Oct	3.59	3.59	3.82	3.81	-	-	-	-	-	3.66	3.81	4.12	
Nov	3.67	3.67	3.95	3.89	-	3.66	-	-	-	3.65	3.75	4.06	
Dec	3.78	3.75	4.02	3.96	3.65	-	-	-	-	3.73	3.82	4.06	

### PRIMARY MARKET



### SECONDARY MARKET



Sources: Main issuers (column 3); AIAF (columns 4 and 12).

### 9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002)

■ Series depicted in chart.

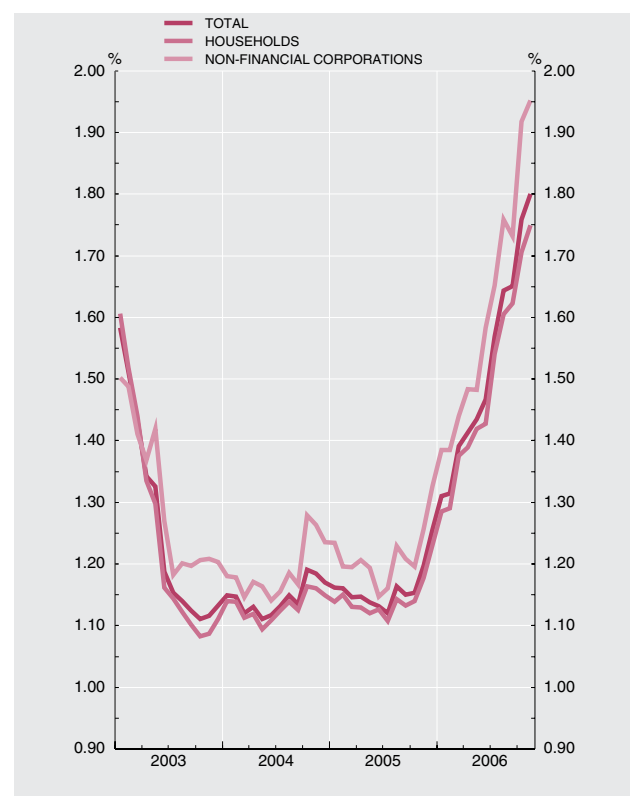
Percentages

	Loans (APRC) (a)							Deposits (NDER) (a)									
	Synthetic rate (c)	Households and NPISH			Non-financial corporations			Synthetic rate (c)	Households and NPISH				Non-financial corporations				
		Synthetic rate	House purchase	Consumption and other	Synthetic rate	Up to EUR 1 million	Over EUR 1 million (b)		Synthetic rate	Over-night and redeemable at notice	Time	Repos	Synthetic rate	Over-night	Time	Repos	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
04		3.87	4.27	3.39	6.27	3.44	4.12	3.01	1.17	1.15	0.39	2.06	2.11	1.24	0.68	2.06	2.03
05		3.93	4.24	3.46	6.27	3.59	4.04	3.26	1.26	1.23	0.41	2.27	2.25	1.33	0.82	2.22	2.22
06	A	5.01	5.42	4.71	7.31	4.60	5.15	4.28	1.80	1.75	0.51	3.10	3.15	1.95	1.22	3.22	3.27
05	Apr	3.89	4.23	3.41	6.18	3.53	4.03	3.01	1.15	1.13	0.39	2.02	2.08	1.21	0.72	2.02	2.03
	May	3.89	4.26	3.42	6.25	3.51	4.06	2.99	1.14	1.12	0.38	2.02	2.08	1.19	0.73	1.97	2.01
	Jun	3.78	4.12	3.35	5.99	3.40	4.00	2.99	1.13	1.13	0.40	2.04	2.08	1.15	0.67	2.01	2.01
	Jul	3.74	4.06	3.29	5.99	3.40	3.95	2.99	1.12	1.11	0.40	2.00	2.07	1.16	0.71	2.02	2.01
	Aug	3.84	4.16	3.29	6.38	3.48	4.01	2.92	1.16	1.14	0.40	2.05	2.09	1.23	0.73	2.11	2.02
	Sep	3.79	4.14	3.28	6.32	3.41	3.88	2.97	1.15	1.13	0.40	2.04	2.11	1.21	0.73	2.05	2.04
	Oct	3.80	4.14	3.31	6.27	3.43	3.91	2.98	1.15	1.14	0.39	2.07	2.01	1.20	0.73	2.03	2.01
	Nov	3.84	4.12	3.35	6.07	3.55	3.93	3.16	1.20	1.18	0.40	2.16	1.98	1.26	0.76	2.16	2.01
	Dec	3.93	4.24	3.46	6.27	3.59	4.04	3.26	1.26	1.23	0.41	2.27	2.25	1.33	0.82	2.22	2.22
06	Jan	4.11	4.46	3.67	6.56	3.72	4.27	3.27	1.31	1.29	0.42	2.34	2.22	1.39	0.88	2.25	2.27
	Feb	4.14	4.47	3.78	6.30	3.79	4.28	3.37	1.31	1.29	0.44	2.32	2.24	1.39	0.87	2.33	2.27
	Mar	4.23	4.53	3.84	6.36	3.92	4.35	3.56	1.39	1.38	0.45	2.49	2.49	1.44	0.89	2.46	2.47
	Apr	4.34	4.69	3.93	6.70	3.97	4.46	3.56	1.41	1.39	0.45	2.51	2.51	1.48	0.91	2.52	2.52
	May	4.42	4.82	4.10	6.74	4.00	4.54	3.58	1.43	1.42	0.44	2.58	2.45	1.48	0.92	2.51	2.48
	Jun	4.52	4.91	4.19	6.78	4.11	4.59	3.78	1.47	1.43	0.43	2.63	2.61	1.58	0.95	2.81	2.65
	Jul	4.61	4.99	4.29	6.87	4.21	4.72	3.87	1.57	1.54	0.45	2.83	2.70	1.65	1.03	2.81	2.78
	Aug	4.82	5.22	4.41	7.41	4.40	4.86	3.99	1.64	1.61	0.47	2.90	2.85	1.76	1.10	2.88	2.89
	Sep	4.85	5.30	4.52	7.41	4.38	4.91	4.03	1.65	1.62	0.49	2.93	2.87	1.73	1.07	2.91	2.98
	Oct	4.98	5.37	4.63	7.37	4.58	5.07	4.22	1.76	1.71	0.51	3.04	3.07	1.92	1.19	3.18	3.19
	Nov	P 5.01	5.42	4.71	7.31	4.60	5.15	4.28	1.80	1.75	0.51	3.10	3.15	1.95	1.22	3.22	3.27

LOANS  
SYNTHETIC RATES



DEPOSITS  
SYNTHETIC RATES



Source: BE.

a. APRC: annual percentage rate of change. NEDR: narrowly defined effective rate, which is the same as the APRC without including commissions.

b. Calculated by adding to the NDER rate, which does not include commissions and other expenses, a moving average of such expenses.

c. The synthetic rates of loans and deposits are obtained as the average of the interest rates on new business weighted by the euro-denominated stocks included in the balance sheet for all the instruments of each sector.



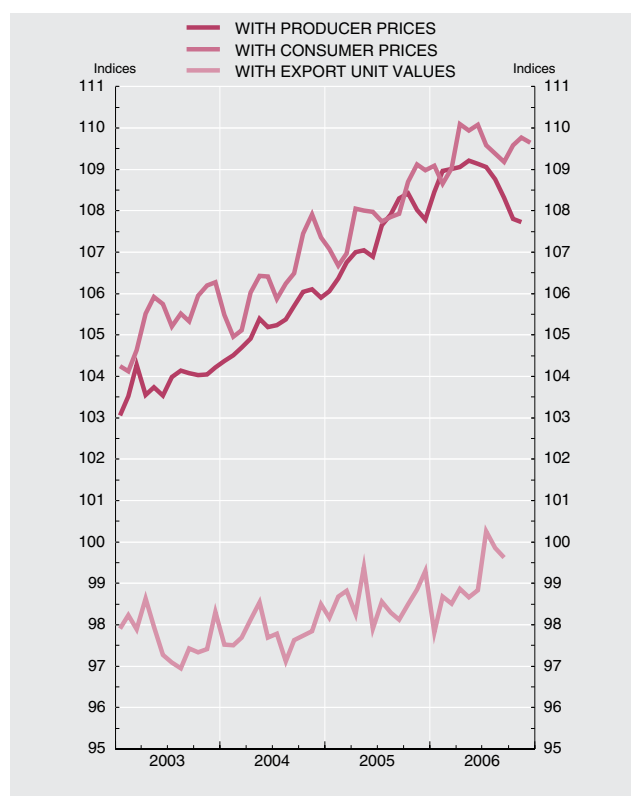
## 9.4 INDICES OF SPANISH COMPETITIVENES VIS-À-VIS THE EU-15 AND THE EURO AREA

■ Series depicted in chart.

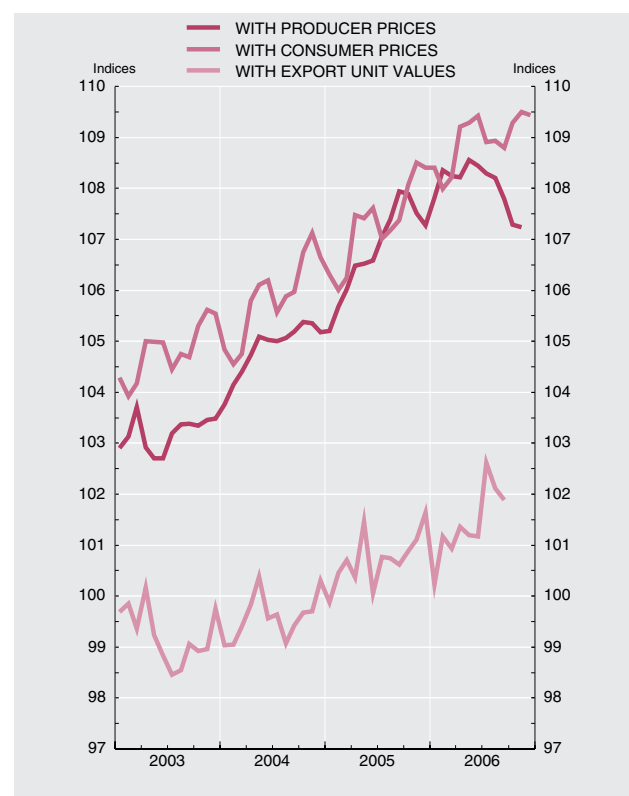
Base 1999 Q1 = 100

	Vis-à-vis the EU-15									Vis-à-vis the euro area			
	Total (a)				Nominal component (b)	Price component (c)				Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values
	Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit costs	Based on export unit values				
1	2	3	4	5	6	7	8	9	10	11	12	13	
03	103.9	105.4	105.2	97.7	100.1	103.7	105.2	105.1	97.6	103.2	104.8	104.7	99.2
04	105.3	106.3	108.2	97.8	99.9	105.4	106.4	108.3	97.9	104.9	105.9	107.5	99.6
05	107.4	107.9	112.2	98.6	100.1	107.3	107.9	112.1	98.5	106.8	107.3	111.8	100.7
04 Q4	106.0	107.6	110.7	98.0	100.2	105.8	107.4	110.5	97.9	105.3	106.8	109.8	99.9
05 Q1	106.4	106.9	111.6	98.6	100.2	106.2	106.7	111.4	98.4	105.6	106.2	110.9	100.3
Q2	107.0	108.0	111.8	98.5	100.0	107.0	108.1	111.8	98.6	106.5	107.5	111.4	100.6
Q3	107.9	107.8	112.2	98.3	100.1	107.9	107.8	112.1	98.3	107.5	107.2	111.8	100.7
Q4	108.1	108.9	113.0	98.9	100.0	108.0	108.9	113.0	98.8	107.6	108.3	112.9	101.2
06 Q1	108.8	108.9	113.5	98.3	100.1	108.7	108.8	113.4	98.2	108.1	108.2	113.4	100.8
Q2	109.1	110.0	113.2	98.8	100.1	109.0	109.9	113.0	98.7	108.4	109.3	113.1	101.2
Q3	108.7	109.4	111.5	99.9	100.0	108.7	109.4	111.5	99.9	108.1	108.9	111.6	102.2
06 Mar	109.0	109.0	...	98.5	100.2	108.8	108.8	...	98.3	108.2	108.2	...	100.9
Apr	109.1	110.1	...	98.9	100.3	108.8	109.8	...	98.6	108.2	109.2	...	101.4
May	109.2	109.9	...	98.7	100.1	109.1	109.9	...	98.6	108.6	109.3	...	101.2
Jun	109.1	110.1	...	98.8	100.1	109.0	110.0	...	98.7	108.5	109.4	...	101.2
Jul	109.1	109.6	...	100.3	100.1	108.9	109.5	...	100.1	108.3	108.9	...	102.6
Aug	108.8	109.4	...	99.9	99.9	108.8	109.5	...	99.9	108.2	108.9	...	102.1
Sep	108.3	109.2	...	99.6	99.9	108.4	109.3	...	99.7	107.8	108.8	...	101.9
Oct	107.8	109.6	...	...	99.9	108.0	109.7	...	...	107.3	109.3	...	...
Nov	107.7	109.8	...	...	99.8	107.9	109.9	...	...	107.2	109.5	...	...
Dec	...	109.6	...	...	99.8	...	109.9	...	...	...	109.4	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-15



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

a. Outcome of multiplying nominal and price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

b. Geometric mean calculated using a double weighting system based on 1995-1997 manufacturing foreign trade figures.

c. Relationship between the price indices of Spain and of the group.

d. The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

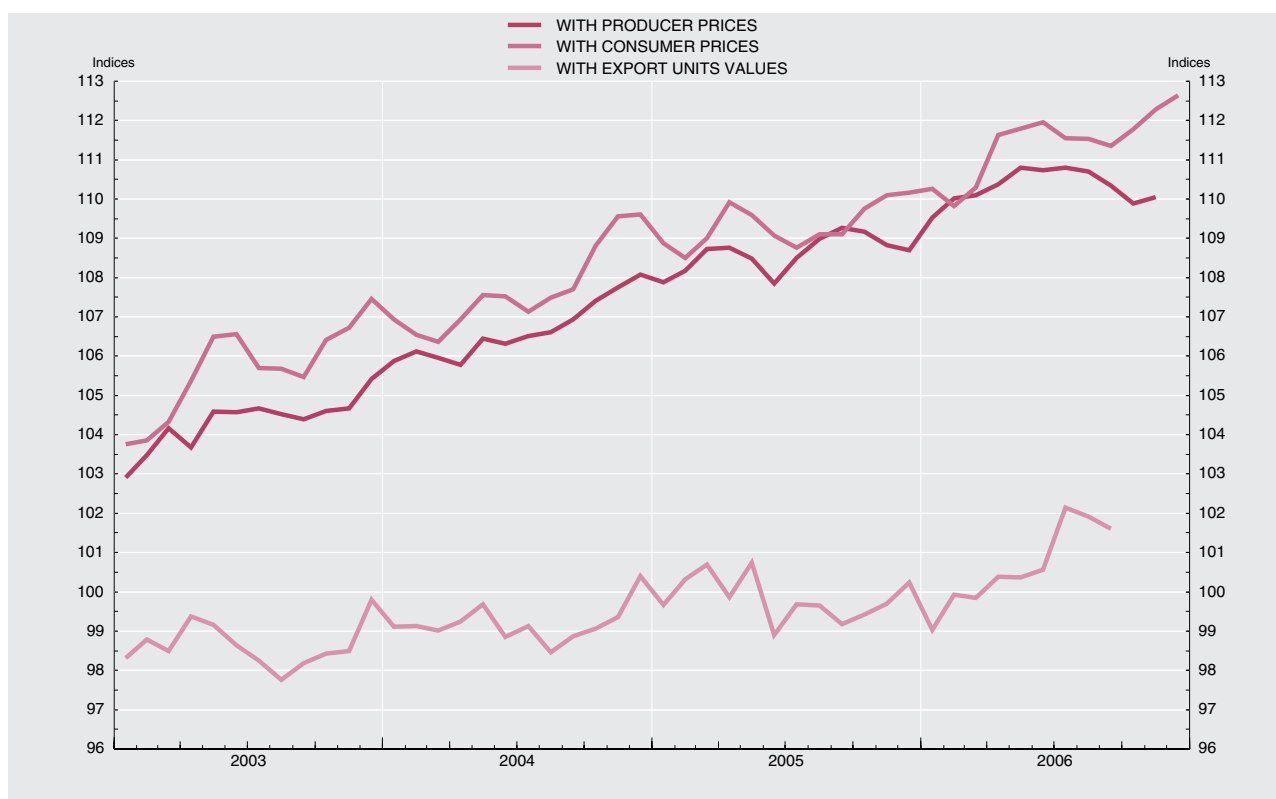
## 9.5 INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES

■ Series depicted in chart.

Base 1999 Q1 = 100

	Total (a)				Nominal component (b)	Price component (c)			
	Based on producer prices	Based on consumer	Based on manufacturing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit labour cost (d)	Based on export unit values
	1	2	3	4	5	6	7	8	9
<b>03</b>	104.3	105.7	106.1	98.6	100.0	104.3	105.7	106.1	98.6
<b>04</b>	106.6	107.7	110.5	99.2	100.8	105.8	106.9	109.6	98.4
<b>05</b>	108.6	109.3	114.5	99.8	100.9	107.7	108.4	113.5	98.9
<b>04 Q4</b>	107.7	109.3	113.5	99.6	101.4	106.3	107.9	112.0	98.3
<b>05 Q1</b>	108.3	108.8	114.6	100.2	101.5	106.7	107.2	112.9	98.8
<b>Q2</b>	108.4	109.5	114.3	99.8	100.9	107.4	108.6	113.3	99.0
<b>Q3</b>	108.9	109.0	114.3	99.5	100.7	108.2	108.2	113.5	98.8
<b>Q4</b>	108.9	110.0	114.9	99.8	100.6	108.3	109.4	114.3	99.2
<b>06 Q1</b>	109.9	110.1	115.4	99.6	100.8	109.0	109.3	114.5	98.8
<b>Q2</b>	110.6	111.8	115.5	100.4	101.3	109.2	110.4	114.0	99.2
<b>Q3</b>	110.6	111.5	114.1	101.9	101.5	109.0	109.9	112.5	100.4
<b>06 Mar</b>	110.1	110.3	...	99.9	100.9	109.2	109.3	...	99.0
<b>Apr</b>	110.4	111.6	...	100.4	101.2	109.1	110.3	...	99.2
<b>May</b>	110.8	111.8	...	100.4	101.3	109.4	110.3	...	99.1
<b>Jun</b>	110.7	111.9	...	100.6	101.4	109.2	110.5	...	99.2
<b>Jul</b>	110.8	111.5	...	102.1	101.5	109.2	109.9	...	100.7
<b>Aug</b>	110.7	111.5	...	101.9	101.5	109.1	109.9	...	100.4
<b>Sep</b>	110.3	111.3	...	101.6	101.4	108.8	109.8	...	100.2
<b>Oct</b>	109.9	111.8	...	...	101.4	108.4	110.3	...	...
<b>Nov</b>	110.0	112.3	...	...	101.6	108.3	110.5	...	...
<b>Dec</b>	...	112.6	...	...	101.9	...	110.5	...	...

## INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES



Source: BE.

a. Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

b. Geometric mean calculated using a double weighting system based on 1995-1997 manufacturing foreign trade figures.

c. Relationship between the price indices of Spain and of the group.

d. The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

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Unidad de Publicaciones  
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Telephone +34 91 338 6363. Fax +34 91 338 6488  
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